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The CREDIT WORLD



DOCTORS: YOU CAN'T DRESS
YOUR WIFE ON ETHICS

THE CREDIT MAN AND BUSINESS
ECONOMICS

THE RETURNED GOODS EVIL

WHAT'S IN A NAME?

PROPER TELEPHONE SERVICE FOR
CREDIT BUREAUS

WAKE UP BOYS AND BE HUMAN

ANALYSIS OF ACCOUNTS
CHARGED OFF TO PROFIT
AND LOSS

JULY, 1931



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The

CREDIT WORLD

Official Magazine of the NATIONAL RETAIL CREDIT ASSOCIATION

July, 1931

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This publication carries authoritative notices and articles in regard to the activities of the National Retail Credit Association; in all other respects the Association cannot be responsible for the contents thereof or for the opinions of writers.

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J U L Y , 1 9 3 1

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HAT the National Retail Credit Association has progressed to the point where it has become an indispensable feature of retailing was demonstrated when 985 merchants and credit managers gathered at the nineteenth annual convention of our association, held in St. Louis, June 16, 17, 18 and 19.

All of these men and women were keen, alert and aggressive, showing a remarkable knowledge of credits and business conditions; no doubt a result of individual study and application and of the contacts, education and preachers of the N. R. C. A.

They recognized the importance of credit in the distribution of goods to the consumer and how its development along safe lines was a great stimulus to the nation's business. They knew it could not be safeguarded, systematized, and used to the greatest advantage of business unless by an exchange of ideas and a discussion of policies and unity of action as is only made possible by a great national organization and that is why our convention was the most instructive and constructive meeting ever held by the N. R. C. A.

The recent surveys of the United States Department of Commerce, showing retail trade amounting to 53 billions of dollars, of which almost 50 per cent was on credit, had brought home to the nation's business leaders, the press, the bankers, and the public, the importance of our work, and as a result this convention attracted more attention and its discussions received more publicity than any trade association meeting in many years.

It was a great convention, a fitting climax to a busy and constructive year, an inspiration to officers and members alike to continue that most important work of promoting sound credit practices among all classes of retailers.

D. J. WOODLOCK,
Mgr.-Treas.

Look Up!

Better times will come





DOCTORS: "YOU CAN'T DRESS YOUR WIFE ON ETHICS"

WALTER B. BRINKMAN

FIRST AID TO THE M. D.

A DOCTOR'S wife was looking at fur coats. She wanted one. She told the saleswoman she wished she could have one but that they just couldn't afford it. I happened to be in the fur department at the time. The saleswoman suggested that we talk it over. I knew the lady and I knew her husband . . . a good doctor but a poor collector. So we invited the lady to our office. She said she wished she could have the things her friends had.

She cited a case of Mrs. A who had a new fur coat and the A family were owing \$285 on which nothing had been paid for over a year; and then she cited Mrs. B who was giving parties, entertaining lavishly, and always had the smartest and best of everything. She mentioned two or three other cases of Mrs. C, Mrs. D, and Mrs. E.

I listened, and then I said, "Do you realize that your husband is paying for other women's clothes? Don't you think he should spend some of the cash on you? You can have your new fur coat if you will do as I say. We'll sell it to you on contract. We will add a carrying charge to the cash price, and if you do what we ask you to do, you will pay for the coat and have plenty new dresses too." You should have seen her eyes when I said that! It was a new glimpse to her. Previously she had been fed and dressed on "ethics of the profession." We suggested that if she would do some telephone collecting and some personal letter writing she could easily pay for the new clothes.

We turned her over to "listen in" on the young woman who handles telephone collections. She was an apt pupil. Her desire for clothes made her so. We told her not to reveal

her identity but to keep after the A, B, C, D, and Es and the rest of the alphabet. We said that we believed her husband would welcome a chance to get out from the bother of the office details.

Two days afterwards she came in happy. She said she could have her coat. She kept up her system and she is no longer a little brown wren! Even you doctors would give her a second look any time that you weren't busy! Now, that is just one case! We tried it out to see if it would work, and it did! Naturally, we couldn't undertake training a number of office assistants whether wives or otherwise, but the fact is that "follow ups" count in your profession as it does in ours.

All too many people seem to regard the medical man and the hospital as the last place to pay. We believe that though it may be impossible to pay all at one time, the patient should realize that the person or persons who keep them alive and well should be paid as soon as possible.

In our credit department there are five people who open accounts. They are trained to interview people courteous'y and intelligently, we hope. Very frequently when an interviewer asks whether there are any other accounts than those listed the customer will say, "Oh, I owe Dr. _____ \$250, but I'll pay that when I can." And usually Dr. _____ is last on the list. We always feel that the person whose mind works that way has the wrong slant. We try to help them get the right angle on the situation, for we believe that the person who beats the doctor, will, if allowed to go on, become so honorless that he will also beat the butcher, the

baker, and the candlestick maker. Many people do not realize the heavy expenses incident to a doctor's office—phones and lights, x-rays, violet rays, office rents, waiting rooms, literature, nurses, attendants and autos for a quick call—all these breed expenses. And then many doctors have families too, and they must live! But over and beyond all that is the cost of education, training, internship, and instruments. Six years or so and then the problem of getting launched in the profession—all this costs money—lots of it—and the public should pay!!!

By the way, you realize that the whole Dead-Beat family always give an alibi as to why they don't pay. After a time they knock the doctor who served them faithfully and well. They go to someone else, and they almost invariably knock the former doctor. Sometimes they even bring suit or threaten to bring suit for mal-practice.

And the doctors are not the only sufferers. The hospitals get theirs too. A recent survey in Pittsburgh showed one woman who had been in three different hospitals in that city. In each, she insisted on the best room in the house, had night nurses and day nurses and every possible attention. She was critical of the food and the service. But she always stayed a week or two longer than the doctor might have thought necessary. But she only paid about 10 per cent of her bills at any of the hospitals! Her husband was collection and judgment proof! The credit bureau records showed that!

Why should such people be allowed to go on sponging on the doctors, nurses and hospitals? Isn't there a limit for professional ethics?

Theodore Roosevelt said "every man owes part of his time and money to the development of the industries of the profession in which he is engaged."

Therefore, it seems to us that there should be proper co-operation between the doctors. They should have some central clearance. Naturally, the best place for that clearance is the credit bureau. There should be a real campaign of education to make people realize their responsibility to the doctors. It is not necessary for one to apologize when you ask for money that is due you. It is yours and you should have it. Naturally, of course, it is not possible to expect the same fees from various individuals. However, a definite understanding should be arrived at and if they are unable to pay the account in thirty days it should be placed on a monthly payment basis so that there is a definite understanding of the obligation which is to be paid at such and such an amount each month.

People who accept the best of everything but do not pay should be considered as charity cases. Let the county care for them. That will wake them up.

For instance, about 12 years ago a carpenter who claimed to be out of work had a son out at Nopeming Sanitorium, Duluth. It was in the winter time and he said that he could not pay. However, a report from the Duluth Credit Association showed that the man was really a carpenter contractor, that he owned eight houses, that he had sold several others and that he had a steady income of rents. Naturally, Nopeming

then resorted to the usual monthly charge. But on the face of the sad story the man put up, they might have felt obliged to give him free service at the expense of the county. We believe that Nopeming has used the credit bureau in every instance since that time—perhaps twelve years ago.

A city uncle was entertaining his country niece. He wanted to take her to the theatre. He looked over the list of attractions. He said, "I'm afraid there is nothing good on this week. Both the shows are a bit risqué. It seems to be a choice of two evils." Straightway the little lady said, "Fine! We'll take in one tonight and the other tomorrow night."

That seems to be the way many professional men get their patients. They take them as they come and they get plenty of evil.

Perhaps you have heard the story of a man who went into a barber shop for a hair-cut. When the barber had started in, he said, "I see the barber down on Fourth street has cut the price on hair-cuts to 40 cents." After a withering silence the barber replied, "Yes, a good barber cuts hair—a poor barber cuts prices."

That same thing applies in granting credit. Some people who are unable to compete in merchandise and service cut their credit terms and that demoralizes conditions. That thing appears in merchandising and it may well happen in your profession.

Therefore, we recommend the greatest of co-operation between yourself and others in your profession.

Let us tell you of the actual experience of the Purifoy-Mayfield clinic operating in El Dorado, in the heart of the Arkansas oil fields.

In 1926 the collection record of the various doctors was 38 per cent.

In 1928 the collection record of the various doctors was 85 per cent.

In 1930 the collection record of the various doctors was 97 per cent.

In Pittsburgh the doctors of dentistry and medicine and hospitals of Allegheny County use the services of the professional division of the credit bureau. Members submit under secret confidential code numbers the names of non-paying patients. They also rate the manner of payments of others. In this way everyone in the local field is protected if they will but call up the credit bureau.

Sometimes there are so many judgments against clients that they carry no bank account. But they can produce the cash when necessary—for they carry it with them! People who are habitual "don't pays" should be listed as charity cases. That will make them "pay up all along the line."

Would it not be better to develop a considerate but firm credit policy? It might be possible for several doctors in the same building to secure a proper person to handle their credit details. Isn't it better to get all the money due you rather than split it up 50-50 with some collection agency?

A kindly but firm policy will often bring results where drastic measures fail. Most people are honest—our credit surveys reveal that over 95 per cent of the people intend to pay—but

they often need help. Budgeting is the thing that helps them. The writer has arranged many loans which help people out of their financial predicaments. Both hospitals and a number in your profession have benefited. Just today we were making arrangements for a loan to cover some retail store accounts, and the customer said she owed a certain doctor \$40 but that he would wait. We tried to encourage her to make it a complete loan. She said she would think it over. She would see the M. D. first. Now, if that man wants his money, we'll get it for him—we'll phone him tomorrow. But if he said pay as you can—stuff's off!

Sometimes those who have been too lenient often go to the other extreme. High-pressure "fly-by-night" salesmen may drop into your office and attempt to sell you collection schemes or collection systems operating in the other cities. Often times these companies are not bonded collection agencies and sometimes it is quite as hard to get the collections from them as it is from the patient.

Recently a high-pressure salesman visited Duluth and offered a series of collection forms which were picked up by many business and professional men. These forms were embellished with a red seal and were gotten out in a manner to indicate that they were a part of a court order! It may interest you to know that this scheme is known to the courts as a "simulated process." In a recent case in Minnesota a party by the name of Sandborg using such a form was brought into court and fined \$50 for contempt of court!

It may be that you are unable to get a present address of some delinquents who are owing you money. The National Retail Credit Association has worked for the last twelve years for a law by which the delivery address of a registered letter or insured parcel must be returned. Heretofore all that was necessary was to sign the name. By paying an additional 20 cents it is now possible for you to get the present address to which the letter or package was delivered. This bill has passed Congress and President Hoover has signed it.

For centuries a veritable Chinese wall separated the professional and business worlds. Like the Chinese wall, this sinister barrier has, in many places, crumbled to earth and practically disappeared.

During the last decade, we have heard much about "ethics in business," and we have heard more, perhaps, about "economics in the professions."

Glenn Frank, president of the University of Wisconsin, recognizing the inevitable trend of the times and having the courage to voice his conclusions, in a recent address referred to the ironic paradox of the commercializing of the professions, just when professionalism of commerce begins to dawn. President Frank also facetiously warns us to distinguish carefully between "hippocratic ethics and hypocritic etiquette." He further says:

"The traditional falacy that economic incompetency, as well as professional excellence should be a dominant attribute of the profes-

sional man must be recognized, admitted and eliminated."

Dr. William Allen Pusey of Chicago, past president of the American Medical Association, discussing some difficulties in the practice of medicine, delivered an address in St. Louis in which he said that "it is the profession's glory that altruism is ingrained in its traditions and that it puts itself secondary to public good, but we have a right and we must, for the sake of our own usefulness to society, consider the business of the profession by which we live. I am using the word 'business' advisedly, meaning by that the occupation by which we make a living."

Dr. M. L. Harris of Chicago, president of the American Medical Association, some time ago sounded a warning to physicians and dentists in which he said, "Why is it that doctors use so little judgment when it comes to matters of business?" Dr. Harris answers his own question in the following words: "It is because they practice a profession that for centuries has dwelt in the shadow of altruistic tradition; because they have been so wrapped up in the scientific aspect of their work that they have neglected, to a great extent, the material affairs of life and because they have had little or no training in business affairs."

It is a well established fact that any man who practices dentistry or medicine will, to a marked degree, curtail his professional activities, unless a credit privilege is granted to an appreciably high percentage of his clientele. If the accuracy of this statement is admitted and accepted, it then must be clearly obvious that for those of us who practice our professions in large cities where it is impossible for us to know, personally, the financial status of more than a very few of our recently acquired patients, that some prompt and dependable credit rating service must be utilized.

"The credit bureau is the x-ray that reveals the patient's habits of pay," so says A. P. Lovett, vice-president of the National Retail Credit Association. And if you follow his advice you will know how to protect yourself. The records will reveal what the client may seek to cover up.

For instance, a Southern girl off at an exclusive Eastern school was the daughter of an undertaker. She knew she wouldn't get by with those antecedents. So when asked what her father did she replied, "Oh, he's a Southern planter!"

Another way in which the National Retail Credit Association is trying to serve you is through certain amendments to the bankruptcy laws which we believe will be beneficial to your profession as well as business in general. Also at the present time there are several bills before the Minnesota State Legislature amending the present garnishee laws. It would increase the exemption from \$35 to 60 per cent of the wages earned, plus \$10 for each child. These bills directly affect you, and we know that many of the garnissees which come in are brought by collection agencies for physicians. As an instance of the vigilance which is now necessary in the welfare institutions, may I say that just last week Sister Mercedes of St. Mary's Hospital

(Continued on page 31)



This paper delivered at the Convention was requested by so many, that it has been printed in booklet form and is now available.

The Credit Man and Business Economics

YOU know in the credit field, and in every line, we find the few who are progressive and efficient, and the many who are baffled and incompetent; the few who attend conventions, who study, who try to do the work assigned, and the many who stay at home, refuse to learn from the experience of others, and remain in a rut of incompetence and indifference. And today, I wish to exalt the few and to condemn the many.

Now, we are passing through the greatest depression of all time, and credit men are accused of a major responsibility for this unprecedented prostration of business. This is a serious charge. It constitutes a grave indictment of the entire credit fraternity—retail credit men, wholesale credit men, manufacturers' credit men, bank credit men, and all others who are entrusted with the control and the management of the credit resources of this country.

The accusation implies that credit men are not or should not be mere bookkeepers and clerks, but on the other hand, professional men, bringing a scientific knowledge to their job of serving their firms and society. It implies that credit men are not common wage earners, performing a routine job of little importance, but, on the other hand, lookouts in high places, bearing in trust a responsibility to society, for safeguarding against excessive and inflationary periods of prosperity and thus preventing abnormal depression.

This arraignment of the credit fraternity asserts: First, that the seeds of the present paralysis of business were sown in the latter part of 1927, by the reduction of the Federal Reserve re-discount rate to 3½ per cent, and were nourished by the cheap money policy of the Federal Reserve Board. Second, that inflations on the one hand in real estate and the stock market, and on the other hand in open credits and installments were allowed to exceed all bounds by the credit fraternity.

Third, that being without a sound knowledge

of the theory of credit, the fundamentals of economics and the principles of business cycles, credit men were unable to see through the new era fallacies of employers, high pressure salesmen, financial writers and business editors, and as a result, whereas a few scientifically trained men stood firm, the employers overrode the judgment of many and the super-salesmen ran away with the rest.

The greatest structure of prosperity our country has ever known piled up to top-heavy heights upon the delicate fabric of credit and then came crashing down about our ears, thus was written one of the most tragic pages in the history of this country. But, could credit men, as a group, have appreciably restrained the abnormal boom of 1928 and 1929 and thus diminished the heartbreaking effects of the depression of 1930-1931? Could credit men, as individuals, have guarded their firms from the full effect of the past few years? To what extent, in brief, can credit men control the business cycle, which with amazing persistency, for more than a century, has penalized us with two years of depression for every three years of prosperity and inflation? Is it true that the credit fraternity, in particular, possesses a major responsibility, as a group, for the evil effects of uncontrolled business cycles?

Let us examine these questions with courage and with open minds. The business cycle on the rampage. These business cycles, these periods of prosperity, followed by depression, are not ancient and time-honored phenomena. They are of recent origin. They became pronounced when the widespread use of credit began. That famous industrial revolution, which got under way about 150 years ago, has given us our modern economic organization and business system, characterized by minute specialization, by extensive employment of machinery, and by extraordinary use of credit.

The tool has been replaced by the machine, hand power by mechanical power, money by

credit. Today we are living in a credit economy, a credit world, the million of people who use these machines and mechanical power are connected with trade, and 90 per cent of that trade is conducted on credit.

It is evident that the wise or unwise control of credit directly and profoundly affects both trade and production. It is obvious that an insufficiency of credit must hamper trade and production and cause them to languish. It is peculiar that inflation and lax control of credit must permit and incite both trade and production to abnormal, unbalanced and unprofitable excesses. It is certain, then, that to control the business cycle we must control credit.

During the 135 years which have elapsed since 1796, we have experienced in this country thirty-five business cycles. This means that once every three and eight-tenths years, on the average, we have been plunged into a recession or a depression where we have been forced to suffer one year of business prostration for every year and a half of prosperity and inflation.

How can any self-respecting civilization put up with a business record such as this? How long are we credit men, bankers, business leaders and college professors going to let this disgraceful and incalculable wasting function continue, simply because we will not get down to hard scientific study and make ourselves fit for our job? The business cycle is the most important single problem of our modern civilization, and if we cannot control it with our present capitalistic system, then we must expect to be forced to swallow another system, which will control it.

It is precisely the fact that each short period of business health and prosperity turns into fever and inflation, and collapses into morbid depression, that lays our present capitalistic system wide open to the attacks of radicals. The cost of the uncontrolled business cycle to the welfare and progress of our people is simply tremendous, it is incalculable.

Last year, 1930, we witnessed the largest number of business failures in all the history of this country, and the greatest liabilities ever recorded, failures to the number of 24,107, a total of 22 per cent above 1929, and 7½ per cent in excess of the hitherto record year, 1922. Liabilities to the extent of \$1,441,000,000, a figure 129 per cent above 1929, and 19 per cent greater than that of 1921, when the former all-time record was established.

Last year we beheld the tragic display of our bankers, suspending at the startling rate of 110 per month, to arrive by the end of the year at a total of 1,326 suspended banking institutions. Five and a half per cent of all the banks in the country closed their doors.

In July to December, 1930, open account collections were 6½ per cent poorer, and installment account collections, 7½ per cent poorer than in the corresponding period of 1929. In 1930, bad debt losses on open accounts went to 20 per cent above those incurred in 1929 and bad debt losses on installment account, which were four and a half times larger than those on open account, amounted to over two per cent over 1929, while millions of peo-

ple struggled to liquidate over four billion dollars of installment indebtedness, much of which was due to the frenzied sales efforts of firms whose heads seemed to believe that while open accounts needed collecting by credit men, installment credits were foolproof and could be handled by automies.

In 1931 we gazed upon the spectacle of over six million unemployed, who, with their families, constitute about one-fifth of our population. We estimate a loss to our investors and wage earners of over one billion dollars a month, a national loss of twelve billion dollars per year, and we are aware of wide-spread destitution and social unrest, but can we blame men with empty stomachs and willing hands for feeling that something is wrong?

How long will these business cycles continue and such depressions go on? Just as long as you and I refuse to accept our responsibility to control credit through scientific study of our job. But what have credit men to do with these business cycles and their disastrous consequences? Are business cycles due to certain causes which are in no way related to credit and thus beyond the control of credit men? Are they unpredictable? Are they inevitable? Now, there are scores of theories which attempt to explain the business cycle as being due to one cause or another, but scholars generally agree, today, upon the following three facts:

First, that there is no one special cause or fixed set of causes. Second, that whatever the cause is, the crisis is due to a maladjustment, to certain industries getting out of line and producing too much of this thing and too little of that. Third, that whatever the cause is, over-expansion, crisis and depression cannot take place unless there is credit inflation. There you have one fundamental truth of profound significance that I would like you to take away, namely, undue expansion of business cannot occur unless there is undue expansion of credit.

Now, since the business cycle, no doubt, constitutes the most important single problem of modern society, and since credit is perhaps the most basic, single factor in the business cycle, the credit man is in a position to make a magnificent contribution to civilization, to progress and to prosperity. At the same time, he has a tremendous responsibility to society for the disasters of exaggerated cycles.

In order to discharge its obligation, the entire credit fraternity, from the Federal Reserve Board down to the retail credit man, must make itself more competent. Of course, many improvements are necessary at many points in our economic structure, for there are many causes of business cycles.

We need, first, more complete, more truthful and more widely disseminated business information. For example, information on each major industry, as to the volume of production, orders received, shipments made, and most important of all, amount of stock on hand. Second, we need more intelligent business leadership, for, as Louis H. Haney stated, if all the members of the Federal Reserve Board and if all the heads of our banks and business corporations were intelligent, honest, educated in economics and

statistics, and socially minded, can anyone believe that the new era would have ever existed.

Third, we need long range planning of public works, railroads, public utilities and large industrial enterprises. Fourth, we need improvement in business information cases. Fifth, we need control of investment credit, sooner or later, through Federal control of security issues. Sixth, we need more employers with vision and courage to establish their individual businesses and provide unemployment insurance for their men, as several outstanding business leaders have already done. Seventh, and last, we need a system of Federal employment offices supplementing such state systems as exist.

But, after all, credit is the dominating and deciding force which must be harnessed, if we are to control the business cycle. Without credit control, we can never escape depressions, no matter how much we tinker with other parts of the machine. With credit control, we can greatly moderate business cycles, even if no other improvements are made in our business machines. Who is to give us this credit control, if not the credit fraternity from the Federal Reserve Board down through bank credit men, mercantile credit men to the retail credit manager.

It is true that the responsibility of the Federal Reserve Board and the bank credit men is especially grave, but it tends to be over-emphasized by some writers who seem to be seeking for some panacea, for some one easy remedy to apply at one place, and who do not appear to realize that mercantile and retail credit, as well as bank credit, must be expertly handled if our credit power is to be well controlled. What we must do, in brief, is to build up a generation of scientific, professional credit men in all lines of activity, before we can expect to conquer the business cycle. As long as the tremendous force of credit is subject to the meddling of unskilled hands and unscientific minds, we are destined to continue reeling groggily from one depression to another.

Now, the creation of a multitude of credit men is something which, of course, cannot be achieved in a day, therefore it will be asked, "What can I do? What can a few of us do to prevent the disaster of over-expansion and depression, if the majority of credit men and business leaders continue to base their actions on rule of thumb methods?" I am not so naive as to think that any one educated credit man here or any one hundred intelligent credit managers can alone control credit so as to subdue the business cycle. But I do know, and there are plenty of cases to prove the fact, in this room, that a scientifically trained credit executive can protect his firm against the full effects of the cycle, for as Chapin has well said, "While the individual business man can do little to control the business cycle and may be an innocent victim of its pernicious effects, he can do much to avoid its becoming disastrous to him." Here, then, is the challenge to you, personally, to awake to the present imperative need for a new scientific credit management.

Why Credit Was Mismanaged

The credit fraternity, as a group, is not doing its job well; it must be admitted that credit men,

in general, are not fit for their serious responsibility of helping to control the business cycle. This is not a special criticism of credit managers. It applies to every one of us today, in every line of activity. Not one per cent of our business men have really awakened to the fact that we have built up a gigantic but delicate economic machine and that this machine or business system is undergoing the fearful stresses of the most extraordinary changes history has ever witnessed. Change, rapid and radical change is the order of the day.

Not one per cent have grasped the truth that the control and handling of this enormous, complicated and sensitive structure must end in frightful sabotage, when entrusted to the untrained hands and unskilled minds which were good enough for a slow-moving, simple agricultural economy, but unfit for the business system of today. Not one per cent have risen to the imperative need of training themselves, scientifically, for their new tasks, in this new order of things. Almost nowhere are jobs being done intelligently and well; credit men are not alone to be blamed, but let them, at least, not hide behind a mask of smug conceit; let them have the courage to come out boldly and admit their responsibility and resolve to make themselves fit.

There are many extremely competent credit executives who are discharging their duties excellently, because they have trained themselves to be fit, because they are constantly studying, and realize keenly that education is a never-ending process. They are in sympathy with this constructive criticism which exalts the position and the responsibility of the credit executive and condemns recreancy to that responsibility. As J. J. Doran, controller and credit manager of Davison-Paxon Company, of Atlanta, stated at the Sixth Southern Conference of the National Retail Credit Association: "The oversight of the fundamental theory of credit was one of the major factors in the recent boom period and is responsible for our long period of depression. Credit men, as a whole, missed an opportunity in 1928 to do an outstanding job." That is just it. Too large a part of the credit power of the country is in the hands of a multitude of obsolete credit men to whom the scientific principles of credit procedure are Greek; the fundamentals of economics, unintelligible jargon; and the economics of business cycles an unpenetrated mystery.

These men failed us in our time of need. They endeavor to evade their responsibility by pointing their finger at someone or something else as answerable for the depression, while we know that credit is the major factor. They plead that they did not and could not know that inflation was growing and bringing with it the inevitable crash. But I remind you that all of us remember seeing, distinctly, the constant growth of credit and speculation and hearing the repeated warnings of many scholars and observers and of the Federal Reserve Board. We listened not to these warnings, but to false prophets because we had not studied enough to be able to see through their ignorance and sophistry.

It is hard for a credit man to hold his ground when prosperity is rampant and inflated and when competitors are wildly scrambling after all the business. It takes courage, which comes only from a thorough knowledge of the science of economics and the fundamentals of credit theory gained through professional study.

But credit men did not have this courage for they had not its necessary basis: sure and well-grounded knowledge. And when the business owners and managers assaulted them with arguments based on half-truths, the credit men, unable to see or explain the errors, yielded. Under the goading of his own enthusiastic and optimistic salesmen and the high-pressure salesmen of suppliers, the credit man gave way and played recreant to his duty to society. Credit was unwisely extended; inflation burst all bounds and dealt us the greatest depression of all time. The whole nation suffered because credit had been mismanaged by bungling, incompetent hands. This is, indeed, a disgraceful condition; it is an intolerable situation.

The Need for a New Scientific Credit Management

Just one fundamental change is necessary to remedy this situation. It is this: A new and higher appreciation of credit management: a higher regard for scientific credit management on the part of the employer, on the part of the public, and on the part of the credit man himself.

Employers are to be blamed to no small degree for the unsatisfactory management of credit in the United States, for, in general, they have totally failed to grasp the importance of the credit man's job. When employers regard the work of credits and collections as a mere hack job, a mere routine labor to be performed by a minor employee, when they regard the credit man as a clerk unfit for making important decisions and continually over-ride his judgment, can we really expect much from credit management in America? The natural result of this attitude of the employer is to degrade the credit man until he, too, finally comes to believe that he is nothing but a clerk, or to force him to be a clerk against his will.

Employers are very slowly coming to see that the credit man should be treated as an executive—that he should be next to the owner or manager in responsibility, intelligence, education and respect. More than any other officer, the credit man occupies a position intimately connected with the study of business trends and cycles, with profitable selling, with control of expense, and with building good will. Salesmen are assumed to be responsible for sales and business come, but give me a thoroughly competent credit man who really understands the possibilities of his position and the best theory and practice, and I will build more sales volume through his efforts alone than that produced by a half dozen salesmen. If anyone in the business establishment needs to be highly trained and well educated it is the credit manager; he should be the employer's right-hand man. As Chester H. M. Call puts it strongly: "Any president or chief executive of a company who

does not have the vision to see in his credit department one of the most essential and constructive factors in his organization should be indicted for negligence of duty."

The public, or society in general, regards the credit man usually as just another salary-slave and a grouch to boot. Society has not been educated to the tremendous power of credit for good or evil in the modern world. If it had it would accord more recognition to the importance of the credit executive's job. Society has not been educated to appreciate the great role played by the credit man in building character by administering credit so as to make every debtor prove himself worthy of trust and thus elevate the moral standards of the community.

But if credit management is not as highly valued as it should be, credit men themselves are mostly at fault. If they insist upon regarding their work as a routine job (as too many of them do) then it is and will remain just common labor. They have completely overlooked the possibilities in their jobs.

Scientific knowledge and the right attitude of mind can make any job a profession. A physician can debase his calling to a mere selfish trade; a credit man can lift his work to the dignity of a profession. The physician's service to humanity lies in healing all who come; the credit man's service lies in helping to control the business cycle which has caused more human suffering than all the wars of modern times put together.

The physician knows that, if he trains himself and finds no opportunity where he is, he can advance to places of greater reward. The credit man seems to have entirely overlooked the fact that there are plenty of fine positions in credit work among the many large retail establishments of our country, and if scientific study does not bring him a just reward from his present employer, it will enable him to progress to higher remuneration in a bigger job with a larger firm.

The credit man has overlooked his opportunity to force respect from both employer and public by making himself, through study, fit to be respected. Credit men are not alone in their failure to realize the need of hard, serious study. Listen to Alvan T. Simonds, president of the Simonds Saw and Steel Company, an old American concern, but extremely modern and successful in its methods:

"One of the great difficulties with business men seems to be that they are not students. They pride themselves upon being practical men. They have little use for theory, or for the lessons learned from the experience of anyone except themselves. They forget that their little lives are short and the experiences that touch them are insignificant in comparison with the experience of millions of people over a hundred or more years. Many of these business men do not believe in reading much. They seldom stop to ask themselves how they can know what other people for a hundred years have learned from their experience, unless they do read. They are often foolish enough to believe that a talk of an hour with a great business leader like Owen D. Young or Henry Ford or Paul M.

Warburg would give them more direct knowledge of the theories and the practices of these men than anyone of them could give in writing (as Mr. Warburg has done) two volumes dealing with the Federal Reserve System. There was no good reason why any business manager should not have known that in May or June of 1929 business had reached its cyclical peak and was moving down into depression, for this fact was on record after the latter part of July."

The credit man has been oblivious of his opportunity to train himself for a larger job in credit work. He has overlooked his opportunity to make credit work not only a means of making money but a way of life. He has degraded what might be a profession into a mere job. In brief, credit management is suffering today and has always suffered because it is not properly appreciated. We need a new appreciation of, and a higher regard for, the importance of credit work on the part of the public, on the part of employers, and especially on the part of credit men.

Let me quote from the report of your Educational Committee, a report which has just been placed in your hands.

"Rather than allude to a spade as an agricultural implement, we might just as well speak plainly and express disappointment as the result of the year's work. No alibi is offered, and we confess we are at a loss to advance any real reason or the lack of interest in the credit study classes. Most certainly the need is apparent, even more so than a year ago. Changing credit conditions and the cycle of depression, encouraged us in the hope that last year's enrollment figures would be substantially increased, but such is not the case. Against 1,402 students in thirty-seven cities and towns for last year, the records for the present administration indicate 645 enrollments in but twenty classes organized, as shown below."

Credit men must be awakened sharply to the fact that they, at present, are not discharging their responsibility to society for the control of the business cycle; they are not discharging their responsibility to their families and to themselves by training themselves scientifically to fill larger jobs and lead larger intellectual lives.

References

- (14) Proceedings of the Sixth Southern Conference of the National Retail Credit Association, Mobile Credit Men's Association, 1931.
- (15) McCall, Chester H., editorial, "Credit and Financial Management," N. Y., May, 1931, page 5.
- (16) Simonds, Alvan T., "None So Blind As Those Who Will Not See."
- (17) "Annual Reports of Officers and Committees to the Nineteenth Annual Convention, National Retail Credit Association," page 13.

How to Produce the New Scientific Credit Management

If we ever expect to be able to produce in America the new scientific credit management, to build up a generation of really competent credit executives, to create a thoroughly satisfactory credit fraternity, we shall have to make great progress soon in two directions.

First, local groups must co-operate with the educational program of the national association.

This means that somehow local leaders must be inspired to action. In every local community, even if it is but a village, there is always one credit man or perhaps two or three credit men who are wide awake, alert, intelligent and thoroughly imbued with the craving to make their work a science.

Such a man or such men must furnish the initiative and the stimulus in their communities for the formation and continued existence of study groups to work with and under the leadership of the national association. I want to ask you to put this question frankly to yourself as you go home: Are you the man? Are you the man to start a movement in your community to make a science out of credits and collections? Will you accept the responsibility? Somehow, leaders must be inspired to step forth and direct the job of credit study in every community in this country. Are you the man to put over this program for your town?

Second, the national association ought to expand its department of education and research. Other departments of the national association do, no doubt, make a greater immediate appeal to your support and render quicker returns for your dues. But I am absolutely certain of ground when I say that in the long run no activity of the national association will pay a larger dividend to each of you and to all than a vigorous and stimulating program of education and research. You must have the vision to provide not only for present needs but for the future by your whole-hearted support of such a program.

What Shall We Learn From the Depression?

In conclusion, let us ask ourselves this question: What are we going to learn from this great depression? Looking back over the business history of the United States it is clear that we have learned our lessons of better methods, better arrangements and better plans only at tremendous cost. A business depression is a terrible price to pay. Let us be sure that we are going to get something in return for the price we are paying in this greatest depression of all time. Let us be sure that we are going to learn something to offset, at least, part of its astounding cost.

From the panic of 1907 we got the Federal Reserve System. For, in intelligent minds was born the determination that the intolerable conditions provoked by our old archaic banking system should not be allowed to continue longer.

From the crisis and depression of 1920-1922 we got ideas of inventory control and the beginnings of an appreciation that business should be regarded as a science as well as an art.

What shall we get from the depression of 1929-1931? What shall we learn from it? If the public learns to appreciate the outstanding importance of credit in business cycles; if employers learn to regard credit managers as executives and counselors on economic trends; if credit men learn that their job is not a laborer's task but a science and a profession, and resolve to make it such, then, perhaps, the staggering losses of this depression shall not have been suffered in vain.

The Returned a Plan for Reduc- Merchandise and



Goods Evil and ing Returned Unjust Claims

IT IS a peculiar circumstance that the last few years just preceding the depression and prior to October, 1929, were the most prosperous in the history of this country, yet according to the reports of the Harvard Bureau of Business Research, department stores and specialty stores have steadily shown an average lower net profit. A study of those figures will reveal that these stores have shown a slightly increasing percentage of gross profit to sales, but that the total expenses have increased more rapidly, and, therefore, that the average net profit has decreased from 3.4 cents per dollar of sales in 1922 to the point where the average gross profit is a red figure for 1929 and 1930.

Mass production up to October, 1929, had done such wonders for American progress it seems that a theory developed that mass distribution would do as much. In a constant effort to expand retail business, stores seem to have adopted the slogan, "Give us the volume and profit will take care of itself." In an effort to constantly increase volume, merchants have, under the guise of service, permitted and encouraged many expensive abuses. As Edward Ruttenberg says in a recent issue of the *Daily News Record*, "Figuratively speaking, some of the retail luminaries sat up nights over a period of years trying to make America pleasant for spoiled women. Entirely too much courtesy has apparently been wasted on a galvanized and lacquered public possessed of surface culture only."

Among these expensive abuses we find one that has been given more attention by the retailers in the past six months than perhaps any other phase of retailing, and that is the abuse of the returned merchandise privilege. Trade papers, both nationally and locally, have been full of it. It is a subject that I know you are all thoroughly familiar with. Yet I am going to impose upon you sufficiently to briefly call your attention to a few of the figures that have been published.

First—As evidence that return of merchandise is increasing.

Second—That remedial measures are necessary.

Third—To show that efforts properly directed will prove profitable.

In the Retail Credit Survey of the United States Department of Commerce for January to June, 1929 and 1930, we find on page 6 a chart of returns and allowances for 301 stores. This chart shows a general increase in returns and allowances in the first six months of 1930,

seemingly in line with the trend for the past few years. The increase over the corresponding period 1929 varied from 3.7 per cent in 1929 to 3.9 per cent in 1930 in gross cash sales; from 11.4 per cent to 11.7 per cent on gross open credit sales and from 13.7 per cent to 14.6 per cent on gross installments.

Shoe stores showed the highest returns and allowances, 17.2 per cent; department stores ranking second and women's specialty stores third, with 15.8 per cent and 13.9 per cent, respectively.

Next I want to call your attention to Chart No. 2, percentages to gross sales, 1924 through 1928. Median (not average) figures are shown as compiled from reporting member stores of the National Retail Dry Goods Association by a "committee on causes for customers returns." The annual volumes of these stores range from three-quarters of a million to over fifteen million dollars.

Next I shall call attention to Chart No. 3. The last Retail Credit Survey recently published by the Department of Commerce shows a slight increase in returns and allowances for the six months ending December 30, 1930.

The percentage of returns for cash sales in 1929 was 3.7 per cent and in 1930 3.8 per cent. Charge sales for 1929, 11.1 per cent; for 1930, 10.8 per cent. Installment sales, for 1929, 10.7 per cent, and for 1930, 11.7 per cent. Total sales for 1929, 9 per cent; for 1930, 9.3 per cent. This in spite of such notable reductions in percentage of returns as those reported for Indianapolis. A reduction of 1.8 per cent which is a reduction of approximately 21 per cent on total returns. Similar reductions are being reported by other cities who have recently inaugurated campaigns to reduce the cost of returned merchandise.

Chart No. 4, for example, shows the results attained in Indianapolis after seven months operation of a plan to reduced returned merchandise. This chart shows an increase in returns for the seven months reported in 1928 and 1929 over the same time in the preceding years, and a decrease of 17.4 per cent for the seven months of 1930 after the inauguration of their campaign.

From the standpoint of direct cost to the store, the problem is strikingly emphasized in the findings of a recent study by the Bureau of Business Research of the Ohio State University—a report entitled "The Cost of Handling Merchandise Returns," reflecting the results

of a survey over a three months period in an Ohio department store. The Bureau of Business Research found in analyzing the routing handling of each transaction that it took at least twenty-three persons to perform the necessary operations involved in a charge-send with pick-up return. This survey finds the cost of the various types of transactions, classifying them according to the method by which the purchase and return were made. The average direct return cost of each individual type of return transaction ranged from 31.8 cents to 61.6 cents, with an average unit cost of 39 cents per transaction. A study by one large store showed fully 72 per cent of all returned garments ultimately sold below cost. All of us could trace the significance of these findings by applying the above unit cost to the number of our own return transactions. Nor will this figure represent the total loss to the store, for there is the element of stock in the hands of the customers instead of on the shelf, frequent partial or total loss of merchandise in process of return, and the more important but less tangible result of loss of good will through dissatisfied customers. A study of the unit of cost of each return transaction from the standpoint of merchandise depreciation and from the standpoint of sales promotion in evaluating the loss in customer good will would be difficult but perhaps astonishing.

Suppose we apply 10 per cent returned merchandise against a unit of a million dollar stock. That would indicate \$100,000.00 in merchandise that is out of your store, in people's homes or just out taking a ride. That is a staggering amount for one store, but multiply it by the twenty or fifty millions of stock carried by the stores of your community and show it to the retailers of your town, if you want to give them a headache. We worry, fret and spend plenty to keep our credit losses down below 1 per cent or to get information on credit applicants to evade accepting poor risks, but our loss in this direction, if we accepted risks without our splendid machinery for gathering information and collecting delinquent accounts would be but a drop in the bucket to the loss we suffer through the abuse of the returned goods privilege.

So far I am sure I have revealed nothing more than what is already common knowledge and I am sure you will agree with me that it is high time that we either do something about it or stop talking.

Therefore, I am going to present to you a plan for the reduction of returned merchandise, the features of which can be adopted by local associations as their particular community policy on returned merchandise. Features that do not appeal to your community can be rejected and those ideas you consider helpful can be revised or used as they are. This plan cannot be considered a plan of any particular city, although the Twin Cities—St. Paul and its suburban sister, Minneapolis—have already adopted it. It is one that was presented to the Twin City merchants by a committee of credit managers, controllers, store superintendents and advertising managers. Its features are copied most brazenly from the plans that other cities have used successfully. We have not hesitated to copy

word for word from parts of plans proposed or used by such cities as Indianapolis, San Francisco, Cleveland and a committee of the National Retail Dry Goods Association.

Customers' interests are to be guarded in the plan, but abuses that come from systems of selling and privileges that these methods have fostered are to be discouraged. The rules submitted have been modified because it is admitted that in many instances returns of merchandise are justified, and because no group would agree positively to follow too drastic recommendations.

This set-up contemplates, first, a workable plan that can be followed as outlined; second, publicity, news stories, editorials, display advertising, envelope inserts, etc.; third, a firm desire on the part of the merchants to lessen the evil and unqualified co-operation from all.

The future success of any such plan will depend entirely on the willingness of the retailers themselves to stand by their "guns." We have seen too many "gentlemen's" agreements perfected only to be ruined by a lack of faith in each other and to decide without adequate investigation that there were only bums present when the agreement was made. The grave danger attending an effort of this kind is that a certain percentage of men are too willing to break their agreement on a fancied or real infraction of the rules by a competitor.

Following is the Plan for Reduction of Returned Merchandise

It is generally recognized and admitted that the first step toward building any program for reduction of returns is to "sell" the store's organization on the need for reducing returns. Therefore, the first preliminary step is a series of four letters to be distributed to the personnel designed to quicken their interest in the importance of the problem, and in the follow-up which must be relentlessly pursued if any improvement in the returns situation may be expected to retain its effectiveness. These letters will deal with the return of merchandise, its abuses, its effects upon the store and upon the salesmen the store's responsibility and the salesperson's responsibility. These letters to be distributed weekly for four weeks prior to the time the plan is to be put into effect and will be of the type shown as Exhibit A.

The second step will be to publish in display advertising, educational propaganda directed to the buying public calling attention to the economic necessity for reducing the waste and inefficiency that has crept into the business of retailing through the abuse of the return of merchandise and adjustment privileges. Similar in content to those in Exhibit B.

Third step will be to seek the co-operation of the newspapers in publishing articles, either as news or editorials, dealing with the demands for reducing waste in the retail distribution of merchandise with particular emphasis on the abuse of the return of merchandise and adjustment privileges, and the publication of such addresses as that of Mr. D. F. Kelly on the Halsey-Stewart & Company radio program of April 29th on "How to Keep the Price of Merchandise Down."

An exchange of educational copy and news copy could easily be arranged through a hook-up of the cities that have adopted a program.

Follow-Up

When these preliminary steps outlined have been taken and a campaign of education given time to be assimilated, you will then have the reaction of customers to which consideration should be given before proceeding with the following steps:

First—Adoption by your retailers association of rules similar to those shown as Exhibit C. The adoption of these rules are recommended in order that the handling of returned merchandise will be uniform in the various stores. The rules should be subject to such modifications or improvements as might be considered advisable. Of course, the co-operation of the buying public must be sought to make it possible for you to put into effect these regulations to the benefit of everyone in the community.

Second—After the adoption of the ruling it is proposed that a letter be directed to all merchants of your community, explaining the proposed campaign and enclosing a slip for their acceptance and co-operation.

Third—Copies of the rulings be furnished to all retail stores co-operating so that they may be framed and placed in each department to be referred to when demands are made that would require a violation of the rules.

Fourth—That these rulings be published in newspapers as a part of the advertising program and that they be followed up regularly with such additional display advertising as funds subscribed for this purpose will permit. It is suggested that the committee proposing the program set up a complete schedule of costs for running such publicity—weekly, semi-monthly and monthly for a year's time—that is, three separate proposals covering the sized ads considered desirable.

Fifth—That the papers be asked for their co-operation in publishing as news and in editorials the adoption of the regulations together with the reasons.

Sixth—That a monthly letter be distributed to sales people relative to the return of merchandise each month for a period of six months after the adoption of the plan. Thereafter a letter regarding return of merchandise to be distributed to sales people of each quarter of the year.

Seventh—That the stores arrange to follow a campaign within their stores to reduce the return of merchandise, such as is outlined in the attached Exhibit D.

Eighth—That copies of the ruling be prepared in pamphlet form of a size suitable for envelope inserts or to be wrapped in packages and to be furnished to merchants to be enclosed with monthly statements and wrapped with cash and C. O. D. purchases. Whether they are wrapped with packages or enclosed with statements, or both, will be optional with stores. Example, Exhibit E.

Writing of the advertising copy, monthly letters, etc., and the work of placing advertisements in the newspapers should be done by a committee of the advertising managers or credit

managers of local stores. This arrangement can produce copy more suitable to the wishes of the stores and at considerable less expense. Appropriation of funds for this function to be determined by the plan chosen as the best suited for this purpose from the schedule of approximate costs submitted.

Conclusion

When the preceding suggestions have been put in operation, each store will be furnished with a supply of returned merchandise reporting slips and unjust claim reporting blanks.

On these blanks each store will report to the credit exchange on:

1. Excessive returns (i. e., when customers return 25 per cent or over of the items bought, using every line of entry in the ledger as an item and reporting on no customers who have bought less than five items on an account.)

2. Unjustifiable returns.

3. Unjust claims for adjustment.

4. In addition to the above, customers insisting upon return of merchandise after six-day limit will be required to sign a card in duplicate (which will be furnished to the stores) giving reason for the exception to the rule demanded; duplicate of which will be sent to the credit exchange so that a record may be kept of those who repeatedly demand exception; the original to remain in the files of the store. Exhibit F.

Each customer on which the exchange received three or more reports in any of the above four classifications will be bulletined on credit exchange daily bulletin to members. The reports will then be made a part of the customer's record to be considered by all members in connection with future requests for credits.

Each customer on which three or more reports have been received in addition to being bulletined will receive a credit educational letter similar to copy shown as Exhibit G.

That completes the plan, but in closing I wish to add that in my opinion the establishment of similar policies in all communities in the United States will prove as effective as our community credit policies and will be just as easy to establish and maintain, and incidentally more profitable, if we can get back to where we were five or even ten years ago. Now is the opportune time to have plans for reduction of returned merchandise accepted willingly and gladly; as Mr. D. F. Kelly recently stated, "The enormity of the problem is now definitely appreciated by the merchants of the country and they have determined to use all their resources to correct this evil." Therefore, I urge you to go back to your merchants and work out a workable plan, show it to them and get their permission to work out the mechanics that will reduce your returns and unjust claims. In doing so your credit association will again be accomplishing something tremendously beneficial and again justifying and perpetuating its existence.

Now I have a few extra copies of the plan as presented to the St. Paul and Minneapolis retailers. They are yours as long as they last, and if more copies are requested, I am sure we can prevail upon Mr. Gilfillan, secretary of our Minneapolis association.

What's in a Name

By W. C. WAUGH, Remington-Rand

EVERYDAY experiences of the credit man give genuine significance to the query, now centuries old: "What's in a name?"

If the credit "keep-off" index contains the name "Meyer," a Meyer by any other name may involve the risk of embarrassment or loss. He may bob up as "Meier," "Myer," or in any of the ten forms in which this name is commonly spelled.

Because names as representatives of individuals are really the credit men's stock in trade, their study has been made a science. We find that in handling credits effectively and accurately, we must know how names respond if arranged this way instead of that. How they may be found most quickly after grouping according to some projected plan. What method of guiding name-indices is best under conditions presupposed.

Investigation of this subject is continuous, for it is a science that is constantly changing. Immigration has completely altered the distribution of surnames since Appomattox, so a present-day set of alphabetical guides would be incapable of properly caring for the muster roll of soldiers of the Civil War. This state of change shows a completely different character for each decade. Worker in this indexing laboratory work with a master list equivalent to seven million names in solving these problems.

There are now approximately 1,400,000 Americans who bear the name of Smith. The Johnsons number a million, and the Browns, 780,000. Following them in order of numerical strength are the Millers, the Jones, Williams and Davis. These seven surnames account for more than four per cent of our total population. Because one person out of every 100 bears the name of Smith, it is little wonder that you may ask which Smith it is that asks for credit.

And still, this problem represents but one detail. Name lists must be expanded and the expansion must proceed unevenly. There are twice as many surnames which begin with "W" as there are which begin with "A." "B" is twice as heavy as "C." One person out of every five begins his name with either "S" or "M."

Then, too, the laboratory list must come from every State. The credit file set-up which best serves Atlanta, where English names predominate, would be unwieldy in Minneapolis with its Scandinavian influence. In New York, the "Cohens" are more numerous than any other family; in Cincinnati, the "Meyers" are third; the Boston "Sullivans" give way only to the prolific "Smiths," and the "Murphys," which are well down the list elsewhere, assume fifth place in Boston.

Names which are pronounced alike but spelled differently constitute a fruitful source of

There are now approximately 1,400,000 Americans who bear the name of Smith. The Johnsons number a million and the Brown's 780,000. Following them in order of numerical strength are the Millers, the Jones, the Williams and Davis.

indexing mistakes. Name alterations are particularly troublesome because it is not possible to remember every variation. For instance, there are 30 ways of spelling "Snyder"; 13 spellings of "Bailey," and 36 changes in "Baer."

This confusion and threat of loss has prepared the way for another assignment of the indexing laboratory. The result has been the development of an entirely

new way to file and find. Russell-Soundex mechanically groups 90 per cent of all family names, regardless of how they are spelled, bringing "Berk," "Bourke," and "Burke" together in the file. The system provides a "key" alphabet which corresponds to the "key" sounds of our language—"b-c-d-l-m-r" comprising the Russell-Soundex code.

B stands for b, f, p, v.
C stands for c, g, j, k, q, s, x, z.
D stands for d and t.
L stands for l.
M stands for m and n.
R stands for r.

Numerical values are given these sounds, so that names may be found quickly by this means as well as by their sound.

Considering the name of A. D. McMullen, past president of the National Retail Credit Association, this is found in classification No. 254 of Russell-Soundex. Whether the name be spelled "McMullen," "McMullin," "McMeullen," "McMellon," or "MacMullen," its number is always 254.

Charles M. Reed, general manager of the Retail Credit Men's Association at Denver, has a name which is commonly spelled in many ways. It may be "Reed," "Read," "Reid," "Reide," "Reade," and so on, but in Russell-Soundex, the name in all its variations is No. 300.

Guy H. Hulse, secretary of the National Association, may find his name spelled "Hulse," "Hullse," "Halse," or "Hulsie," but in Russell-Soundex it will be found always as No. 420.

Further problems arise in properly classifying given names back of the sub-division guides. "John" is the most popular choice, but "C" seems to be the favorite initial for masculine Christian names. Humanity generally favors the first half of the alphabet from "A" to "M" over the last half by a ratio of 13 to five. Each of the three credit association men mentioned above have Christian names beginning with letters coming before the first seven letters of the alphabet.

This predominance of given names which start with letters early in the alphabet, makes it seem as though anxious parents begin the process of selection with "A" and find satisfaction in given names long before "Z" is reached.

The Ladies in Attendance



The Oklahoma Delegation



The Convention Panorama





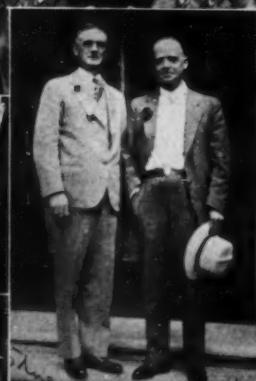
The Banquet



*National
St. Louis*



*The Newly
Elected Board
of Directors*



*The Past President
and the New*





**What Constitutes Proper
Telephone Service for
Credit Bureaus**

**Prepared by the S.W. Bell
Telephone Co. through the
courtesy of Wm. Kitchen**

SAN ANTONIO: "Can you give us information on Mr. A New Arrival, formerly of Dallas?"

Dallas: "Wait. I'll see. Yes, department store reports highest credit \$150, always pays in thirty days; clothing store, \$60, paid in thirty days; grocery, \$35, paid in thirty days; owns property here."

Meantime, Mr. A New Arrival sits outside the credit manager's office in a San Antonio department store. He has just made application to open an account. The San Antonio store has called its local credit bureau. The bureau has consulted its national roster of credit bureaus which shows the Dallas bureau's telephone number. At the suggestion of the store to make a long distance call at its expense, the San Antonio bureau soon has Dallas on the line—soon has a complete report to make to the local store.

Before Mr. New Arrival has time to become restless, the San Antonio store's credit manager appears to inform him that the store will establish his account.

Needless to say, the store is well on its way toward making Mr. New Arrival a satisfied customer. He never heard the telephone conversation. He was not made to wait so long as to feel that any reflection was cast upon his integrity.

What does the foregoing incident illustrate? For one thing, it shows that a local merchant has access to the largest and most complete consumer credit reporting system in the world, the National Retail Credit Association, with 1165 bureaus throughout the United States maintaining records of sixty million people. It illustrates another point, too. It indicates how this vast wealth of credit information, spread over the country as it is, can nevertheless be made immediately available through quick and efficient methods of communication. Indeed, what good would all this information be if there were no quick communication channels to link together the various sources, including the 1165 bureaus?

Credit bureaus face intricate communication problems in their endeavor to supply thousands of merchants with credit reports. Theirs is the problem of handling a large volume of inquiries speedily and without confusion. The local merchant wants a report now. He calls the bureau. He depends on the telephone. The bureau likewise depends on the telephone to help render to its members instantaneous credit information

service. The bureau has hundreds, perhaps thousands, of cards in file. The information is there. Scores and hundreds and even thousands of inquiries pour in hourly from merchant members. How to obtain it quickly, how to associate the telephone equipment with the files so that information clerks can render information quickly, smoothly, and without confusion—there lies the problem.

How should telephone equipment be arranged? What constitutes proper telephone service for credit bureaus?

It all depends. There is no simple answer, no cut and dried setup which telephone sales engineers can pass along to bureau managers and credit men. Each case must be studied. The telephone company makes individual surveys before any recommendations are made. The size of the bureau, number of employees and merchants, nature of calls, volume of calls during rush hours, volume of calls from the larger stores—all these and other factors must be taken into account. The bureau or credit office may require four telephones; it may need eight lines with special equipment. But before recommendations can be made for telephone service which will be adequate, convenient and economical, a telephone engineer must study the particular needs of that office.

Here is an example of the problems telephone sales engineers often encounter. In a large city in the Southwest it was found that nine of the largest down-town stores complained of experiencing difficulty in reaching the bureau. This bureau had no switchboard. Its lines were too often busy despite the fact that the bureau had eight lines used only for incoming calls; five devoted exclusively to outgoing calls. This was a blow. The bureau thought it was giving good service, but here were its nine largest clients complaining of poor service. There were not enough lines.

But telephone sales engineers found other problems in the bureau itself. Each person who answered calls for credit information had her own telephone. If a clerk was absent from her desk looking up information at the files, often no one else answered if her telephone rang. So, even if the lines were not busy, merchants frequently had to wait before the telephone was answered. Moreover, if a merchant member called for a particular clerk whom he preferred,

or who was handling special information for him, he might or might not reach the clerk he wanted. The telephone operator would check each one of the eight lines until an idle one was found (done automatically with dial telephones). This is called a "consecutive arrangement" and is proper when there are two or more lines because study has revealed that when lines are grouped in this manner, they can handle more calls than if they were listed individually in the telephone directory. The point is that a merchant who wanted a clerk who was on the third telephone might get the sixth clerk, say, and the sixth clerk would have to call the third clerk over, with no one to answer the third telephone should it ring meantime.

Take another case. This bureau had a private branch exchange with twenty-seven telephones, twelve of which were used for handling inquiries. The survey revealed that 95 per cent of the calls were for credit information. The information clerks were rather widely scattered about a large room. When a call for credit information came in, the switchboard operator glanced about and called across the room for an idle clerk to answer. There were so many calls to be handled in this way that the switchboard operator was as busy as a ward boss on election day. She could not handle all the calls promptly. Time was wasted in selecting an idle clerk. There was considerable distance between the files and the desks. The desks were widely separated. Confusion reigned.

These are only two cases, both extreme but nevertheless true. There are hundreds of other bureaus among the thousand-odd with other problems, but the common difficulties center around the handling of the incoming calls. Usually nine out of ten of such calls are inquiries for credit information. As a result of years' experience with the problems of credit bureaus and other businesses with similar problems, telephone engineers have developed several types of equipment which have enabled them to meet most of the telephone problems encountered in bureaus.

Telephone Turret System

One type of equipment is the telephone turret, four feet long and about a foot in width and height, which has been developed to enable quick and efficient handling of a large volume of incoming calls, such as the 90 to 95 per cent of the bureau's calls for credit information. Usually a switchboard is installed with the turret, the lines to the turret being also connected to it. This enables the switchboard operator to connect calls to the proper telephone when they are not for credit information but for the manager and other persons who have telephones of their own.

Four clerks operate the turret, two on each side. Additional turrets may be connected so that one line can be connected to as many as six turrets. They are equipped with chest telephones such as regular telephone operators wear. This leaves both hands free and obviates the fatigue caused by holding a receiver to the ear for hours at a time.

The chief feature of the turret is this: When a call comes in, it lights a lamp on each side of the turret, and anyone of the four clerks can

answer by merely "plugging in." If there are, say, three turrets, a call will appear before all twelve clerks, at least one of which will be idle. Calls for a specific clerk can be picked up without the clerk leaving her position. Moreover, she will not leave any line exposed, as she would if she had an individual telephone. Most calls will be answered within five seconds. Clerks can hold a calling party on the line while calling out on another. No lines will ever be left without someone to answer them when clerks have to leave their positions. Clerks can be added or withdrawn during rush and slow hours without impairing the efficiency of the turret. The swifter and more efficient method of answering calls is often equivalent to a 20 per cent increase in personnel. If the files are conveniently grouped about the turrets, the need for clerks leaving their positions is minimized and the result is greater efficiency. In some bureaus, the telephone clerks fill out memos which are passed immediately to file clerks who bring and return the necessary records.

Outgoing Calls Should Not Clog Incoming Lines

If a telephone turret system has been provided to obtain decentralization of incoming calls, and for speedy and efficient disposal of the requests for credit information which constitutes nine out of ten of the average bureau's inward calls, there is just another thing more to do: prevent outgoing calls from clogging lines to the turrets reserved for incoming calls.

First, consider the nature of most of the bureau's outgoing calls.

The manager or secretary, and others in supervisory capacities usually make a number of "out" calls to stores, etc. They also receive a considerable number of incoming calls. The usual method of solving such telephone needs is to provide an adequate number of lines to handle outgoing calls. The manager's, assistant manager's, department heads', and others' telephones are connected to the switchboard and the operator handles their calls.

Wherever there are individuals in the bureau whose duties require them to call out constantly, such as revising clerks, who telephone local stores and out-of-town points to obtain credit information and to check references, loan departments, collection departments, they usually have lines direct to the outside and not connected with the bureau's switchboard. Of course, if there is likelihood of such people being absent from their desks part of the time and of no associate being available to answer their telephones, their lines can be connected to the switchboard. Frequently the danger of telephones being left unanswered can be avoided by arranging for several individuals in the same department or doing the same work to pick up, without leaving the desk, any one of the lines by means of a switch. For instance, if there were three direct outside lines in the collection department, each one of three employees could pick up any one of the three lines. Where credit bureaus have a special collector calling out constantly, it is sometimes advisable to provide the collector with a non-listed direct telephone to the outside.

Private Lines to Large Stores

To facilitate the service to a selected group of large stores, private wires from the bureau may terminate in each store. Or, like the Pittsburgh Credit Bureau system, a battery of teletypewriters is used for relaying credit information to the stores originating a large volume of requests for credit information. Two sending and receiving teletypewriters are located in the bureau office, and one receiving machine in the credit managers' office of each of eleven department stores. There is also a "selecting" switchboard in the bureau office which enables either of the machines in the bureau to send a message simultaneously to all of the stores, or for one of them to send a message to any number of idle receiving machines in the stores.

Combination sending and receiving machines may be located at the stores, enabling merchants to send or receive written inquiries instantly. The teletypewriter provides written reports or inquiries on special forms if desired. At the same time, the message is being written on a sending machine, it appears in legible typewritten form on as many receiving machines as desired, any distance in or out of town.

The Credit Clearing House, who make credit recommendations on orders submitted by their members, work almost exclusively on current credit information gathered by wires, posted up to date and so made ready for the next order inquired upon. Scattered orders, slow payments and collections become immediately evident, regardless of the market in which they occur because the Credit Clearing House is speeding up the centralization of this information by a teletypewriter hookup linking six of their offices in important trade centers to their central office in New York.

We quote a statement made by the Credit Clearing House at a recent interview:

"These teletypewriter machines at our New York office receive typewritten inquiries, market investigations and general credit information from our several offices, similarly equipped, in other important trade centers.

"In turn, our central in New York transmits recommendations and credit information to the inquiring offices.

"Thus, for every hour of each business day, these wires are busy carrying credit facts and recommendations back and forth, cutting days from all other methods of gathering information. Likewise orders booked in any of the markets on the circuit are submitted by teletypewriter to the credit center and the recommendation flashed back within a few hours.

"A faster method of credit communication remains to be invented."

The Bradstreet Company has a teletypewriter hookup between its New York office and numerous branches in the eastern and middle western states, which, it says, is the forerunner of a nation-wide hook-up. Executives of Bradstreet declare the following:

"Results have been so gratifying and the handling of reports so greatly expedited that plans are under way for extensions of the service. Changing economic conditions resulting in hand-to-mouth buying have brought about the necessity for increased speed of credit communication beyond anything ever before required."

R. G. Dun & Company has a teletypewriter service out of their New York office. This service has proven to them the value of furnishing speedy credit information to their subscribers and extensions are contemplated.

Where teletypewriters are not used, private

lines afford to the large stores the special advantage of privacy and speed, and eliminate chances for interruptions to conversations.

Experience has proved that private wires should not go through the store's private switchboard. They should terminate in "detached" telephones in the store's credit department in no way connected with the store's switchboard so as to provide more direct communication to the credit bureau. Sometimes, however, when several store employees call the bureau, it would be inconvenient for them to have access to only one or two telephones. In such cases, therefore, the private lines might terminate at the store's regular switchboard. Or, if the store's credit department is large enough to warrant it, the private lines could terminate in an auxiliary switchboard operated by an attendant in the store's credit department.

Long Distance

Long distance is a quick and effective method of checking out-of-town references, obtaining credit information from adjoining communities where there is no local bureau, and of making collections.

Someone has aptly said that in a long-distance telephone conversation, "question and answer, suggestion and modification, acceptance and refusal can be exchanged effectively and instantly, whether the correspondents be a few miles or a thousand miles apart." Out-of-town telephone service stands on its own feet where there is demand for instantaneous communication that requires an immediate answer; it is two-way communication. Mr. J. George Frederick, in his book, "Selling by Telephone," states: "The practice of some credit associations of clearing credit ratings by correspondence, especially when the credit association operates over a wide territory other than a city, is now being displaced by the use of the telephone. In a recent instance, a survey was made which uncovered the delays incident to operation by mail, and toll line use was at once begun, with most satisfactory results, the business of the credit association rapidly increasing."

Many credit bureaus maintain collection departments. The efficiency of the telephone for this work is voiced by the president of the Pittsburgh Retail Credit Men's Association, as follows:

"In my experience, covering a period of over twenty years in credit and collection work, I have found collecting by telephone to be very effective and efficient to local and long distance points. It enables one to inject in the telephone conversation the personality, which brings as good results as a personal visit. It saves time and gives an opportunity to make adjustments, promptly, should they be necessary."

Mr. J. George Frederick states further in his book: "Even for calls within a radius of 100 to 200 miles, the long-distance telephone is often advantageous and economical in collections. Besides bringing about a direct contact in a most expedient manner, a long-distance call has the added psychological value of impressing the party that the message is one of importance; that the need for payment is imperative; and that the matter should not be trifled with."

That long-distance rates are high compared with other forms of communication is a com-

mon misapprehension. An almost negligible number of firms keep records on the cost of mail correspondence. Sears, Roebuck & Company places a flat charge of 50 cents for every dictated letter. Ernst & Ernst, in a survey for Strathmore Paper Company, concluded that the average letter costs about 35 cents.

Telephone conversations between cities are inexpensive. For example, the day station-to-station rate is only \$1 from Houston to San Antonio, Texas, or from Boston to New York; \$3 from Chicago to New York or from St. Louis to San Antonio; and only \$4 from Kansas City to New York or from Chicago to San Antonio.

It would seem that the use of long distance for checking out-of-town references would help to speed the rendering of credit information. A long-distance request for credit data would

naturally have the right-of-way over other matters, and one is assured that the distant party is giving the matter immediate attention. Moreover, in obtaining credit information from out-of-town banks and other similar sources, it would often be possible to obtain more accurate and complete information, because the banker might hesitate to make bold statements in writing which he would not mind making in speaking when he can make some verbal qualifications.

A considerable saving in the time of placing long-distance calls may be effected by obtaining from the telephone company a list of the numbers at points frequently called. Calls could be placed by number by the station-to-station method, in which one asks to be connected to the distant number, without stating a desire to talk to a particular individual.

The Two Pairs of Pants Are About Worn Out

(From the Harrisburg Sunday Courier.)

If it is true, according to the old saying, that a depression lasts until two pairs of pants are worn out, then the present period of hard times is nearing its end.

The two pairs of pants are just about worn out.

The philosophy back of the adage is that when a depression comes along the average man has two pairs of pants. He buys no more. He wears what he has. When holes develop his wife patches them. But by and by there can be no more patches, and then he goes to market for a new pair. And when he does that, there is a break in the depression. The farmer sells wool, the wool merchant makes cloth, the tailor buys cloth and makes suits, the retailer buys and sells them, and the old order is restored.

There is soundness in the logic of it. It can be applied to all kinds of wares. Shoes, for example. The production of shoes fell away to 70 per cent of normal at the end of 1930. Now it is back to 90 per cent. Somebody's shoes have been wearing out. Underwear dropped off to 82 per cent. It is back to 90. Somebody's shorts or step-ins have been going to the laundry too often. Tires fell to 70 per cent. They are up again to 93. The hot weather has been producing a lot of blow-outs; you can't run indefinitely on the fabric. Cotton printed cloth tumbled to 80 per cent of normal. Now it is over 130. A lot of summer dresses have been made.

What does all this mean? Why, nothing more than that we passed the worst of the depression away last winter and that we are now on the upward climb. May be your business does not show it. May be it seems to be a bit duller than it was last year this time. That doesn't count. When men and women begin to go to market in one line it will not be long before they are going in others. As soon as one line begins to show prosperity it must show up in the others.

President Hoover's moratorium proposal came at the psychological moment. Just as the last

pair of pants began to show signs of no longer being able to hold the patches, the whole world is given a large dose of confidence tonic and under the stimulus is displaying courage sufficient to go out after that sorely needed new pair of pants. And don't forget one pair won't be enough. The purchaser has been accustomed to having two pairs, and by and by he will have them. That means more manufacturing and more selling, and more business all around. It may be a little slow in coming. But it is on its way. The beneficent circle always succeeds the vicious circle.

John R. Truesdale

At the St. Louis Convention, John R. Truesdale, secretary-manager of the Credit Bureau, Inc., Pittsburgh, Pa., was elected chairman of the supervising collection department and a member of the National Board of Directors. Mr. Truesdale was for many years secretary-treasurer of the National Alliance of Mercantile Agencies, and when that organization consolidated with the National Retail Credit Association he became manager of our service department, serving on our Board of Directors from 1922 to 1926.

Credit Education

The credit education class studies this year will be under the direction of Charles M. Reed, of Denver, second vice-president of the N. R. C. A. Both primary and advanced courses have been planned, and a large enrollment is expected for the fall semester.

This is an opportunity for all credit executives to increase their knowledge and should have a particular appeal to junior credit managers and clerks aspiring to make credit their life work. Senior credit managers should urge their assistants to enroll at once. Write the National Office for details.

New York Makes Membership Gain

The Association Retail Credit Men of New York have made remarkable membership gains within the past ninety days. They now have 958 national members and expect to reach the thousand mark before September 1st.



Wake Up, Boys, and Be Human

By Dr. Con-O-Lee, Ph. D., Litt. D.

Even as you—so was I—once employed in a credit department. Some fifteen years ago, more or less, I worked as an assistant to Mr. Homer C. Lamons and Dave Walquist with the old Channon Company in Chicago, which was then doing business on the very spot where the Grand Opera Temple stands today. And thus, having been on both sides of the fence, I may with better grace pass on to you some of the things that have impressed me as to why both you and your customers fall down on certain matters pertaining to credits.

Yes, I know something of the troubles of a credit manager, and more than 90 per cent of them are in his own imagination, and I know much of the troubles of the customer which are likewise 90 per cent in his own imagination—because neither the credit manager nor the customer have any personal idea of what fine chaps they both are, and both are erecting defense mechanisms (in plain words "lying like hell") to try to bluff the other fellow as to what a favor each is giving to the other—the one in placing his order and the other in extending credit.

I could close my eyes and go back years into memory and write the kind of letter I sent out by the thousands from that little old building on the shores of the Chicago River.

"Dear Sir: We thank you for the order of the 18th and have sent same to our shipping department for immediate attention. However, as we do not seem to have the pleasure of having ever done business with you before, we are enclosing herewith our form of credit application and would be glad to have you fill out same and return to us at your earliest convenience at which time we will be glad to ship the goods, which we have already made an order for."

(Signed) "THE CREDIT MANAGER."

Now translated from the jargon of the credit man of fifteen years ago into intelligent language this letter would have read:

"Dear Sir: We have your order of the 18th. However, as we are running a business and not a charity bazaar and not knowing you from Hector's pup, and having no intention of taking any credit risks, would ask you to prove to us

that you are not a damned crook and that you are both able and willing to pay the obligation incurred upon maturity, etc."

We did not send the order to the shipping department until the blank was received properly filled out and we had also received cumulative evidence as to the desirability of the risk from the lawyer in the Martindale or U. S. F. and G. lists. In other words, the old style credit man played them close to his chest and when they got by him, he did his best to meet the situation with good grace.

In other words, the impression I would give you is that the old-time credit man was an autocrat. He'd rather have the stuff fall to pieces on the store shelves than take a chance on its not being paid for.

But nowadays with rapid turnover of merchandise, with unit methods of stock control, with mass production and speculative profits besieging us on every hand, with intensive sales methods, with an enormous budget for advertising—the duty of the credit man has switched the other way about and he really tries to extend credit where ever possible in order to obtain volume for his house.

And there are others to see that he holds this attitude, including practically everybody from the president of the store to the salesman hired this morning. Because, they argue, why advertise, why instruct the sales force in the latest psychological methods, why send the buyers to the markets for the latest models, and why employ artists to display the merchandise in the most appealing manner, if when the order is finally taken, this legend is written across the sales slip:

"UNDER ALL THE CIRCUMSTANCES, I DO NOT FEEL THAT I CAN CONSCIENTIOUSLY RECOMMEND THE ACCEPTANCE OF THIS RISK" . . . CREDIT MANAGER.

Well, I feel sorry for you. The credit man's position is like that of the little "nigger" I once met down in Florida hoeing a field of sweet potatoes. I noticed that the kid wasn't exactly enthused over his labor, so I said to him: "Boy, what do you all get for hoeing these potatoes?" And his answer was a classic. "Man, I gits nothin a-tall effen I does it right, and I gits all kinds of hell effen I don't."

If the sale is made and the money eventually paid, you receive no praise, but if the transaction results in a loss it is all your fault. May I illustrate this point by a personal experience: In a very recent number of an official magazine of

the laundry industry, Mr. G. Fred Brannon, president of the Ideal Laundry in Dallas, Texas, tells of an experience they had when I was lecturing to his sales organization about two years ago. We found on examination of the various classes of work that the finished work, while greater in volume, showed really less profit because it was a variable profit, a variable volume. The woman sent a three dollar bundle this week because her husband got paid every second week, and then did her own laundry between paydays, and the laundry had to run the same equipment and hired help both weeks, but when a semi-finished laundry bundle was secured, the volume was almost constant, if anything with a slight increase.

We had a fine class of driver salesmen and it did not take us long to show these boys that by selling a constant service instead of a variable one, they were doing the customer a favor and, incidentally, looking at the matter over a period of months, were making more money for themselves.

The point I want to make here is that credit is a personal thing just as we made selling the most profitable kind of laundry to our salesmen an intimate, personal matter. It cannot be crowded into the limits of a text book or a lecture. Now please don't misunderstand me. I am not here to talk you to death but to show you how to come to life again.

The very first thing I want to drive home is that you and I and everyone else in these days of intensive effort must do our thinking in terms of PEOPLE. Maybe what I am about to say contradicts all you have ever believed before. I may be like the colored lawyer who was elected judge down in Arkansas some years ago. A lawyer was arguing before him and quoted a decision of the Supreme Court of the United States to fortify his position. "Das all right, Mistah Cligett," said the black law dispenser, "das all right, but in dis here case, I overrules the Supreme Coht!"

People are not separated by distance of time or of place but by the quality of their thoughts. Let me give you a practical illustration of what I am driving at: Clasp your hands, interlocking your fingers and thumbs. Now hold them that way and look at them. Some of you will have the right thumb on top and some of you will have the left thumb on top. You have been doing that very thing in that very way all your lives and unless some person has called your attention to it, you have never noticed it, or, at least, you have never observed it.

May I ask you to take a pencil and paper and write down vertically the numbers "1, 2, 3, 4, 5." After No. 1, write the name of a color. After No. 2, write the name of a carpenter's tool. After 3, write the name of an article of furniture. After 4, write the name of a wild animal. After 5, write the name of a flower. Cross out one of them.

How many will cross out No. 3? How many will put down "red" for the color? How many will put down "hammer" for the carpenter's tool? How many won't? How many will put down "chair" for No. 3? How many will have "lion" for the wild animal? How

many will put down "rose" for the flower? How many won't?

That is not mind reading, that just proves to you folks, who are in the department store business that requires advertising, why you get some people with anything you advertise, and why you don't get a whole lot more. This system is a little bit better than that; I am not going to give you that; that was just given as an illustration that people are alike in certain things and unlike in others. In other words, there is a reason for the individual differences in human conduct, that while there may be only a little difference between one man and another, there is a difference and that little difference may in reality be a whale of a difference.

You have no idea of your power. The chiropractic doctors tell us that there is a spot somewhere along the spinal column that will operate every spot in the human body. All we have to do is find it. Well, I often think my system is something like that. There is a sensitive place in every man and woman that can be touched.

It will not be feasible for me to enter into lengthy explanations of all this, but I will give a few illustrations: Let us take five men we all know to be different. For example, the last five presidents of the United States:

The nutritive is William Howard Taft.

The thoracic is Warren G. Harding.

The muscular is Theodore Roosevelt.

The osseous is Woodrow Wilson.

The cerebral is Calvin Coolidge.

Now, could you picture William Howard Taft or Calvin Coolidge leading the "Rough Riders" up San Juan Hill? Could you picture Teddy Roosevelt pussy-footting up the back steps of the White House and going into the gymnasium and doing his daily dozen on Cal's electric hobby-horse? Would that be his idea of the strenuous life? Who could imagine Warren Harding as dean of Princeton and teaching ancient history and evidences of religion? And where is the man with imagination colorful enough to picture the dignified pedagogue, Mr. Wilson, parading down Main street, in Marion, Ohio, playing the cornet in the Elks' band?

Well, you and I, and our friends, and relatives and customers are as much different as were these last five presidents, and we cannot do very much to change ourselves; we must take ourselves as nature made us, and please remember that we cannot put into a man what God left out or take out of him what God put in. Man is not a machine and you cannot send back to the factory or assembling plant for any missing parts. And we must appeal to the natural differences, the natural preferences and not antagonize our fellowmen if we wish to get on well with them.

I am afraid many of us are like the Italian that the famous actor Leo Carrillo tells about. According to Leo, an Italian goes into a pay station and calls up the morgue something like this: "Disa de morgue, hey? Ah, you gotta big dead wop fella there, no? Wears a blue suita, blacka mustache, brown shoes, gotta lotta stilette holes in hees back, huh? What, yoü sure you no gotta heem? Never mind whosee dees. I call you up some other day." And hanging

up the telephone, the Italian says to himself: "Wassa matter dat guy now no come copy? I poosha heem in river two weeks ago, myself."

The fat man or woman is easy going, not inclined to be crooked, but not orderly nor over prompt. Is best handled by flattery or praise and not by dictatorial methods. I would never sell a fat man or woman the way the foreman of a stone quarry once broke the news to Mrs. Maguire. It seemed that a blast wrecked Pat Maguire, and Dolan, the foreman, was appointed the one to break the news to his erstwhile wife. So approaching her shanty, he inquired, "Is it the widow Maguire I'm talkin' to?" "I'd have ye know I'm no widow," replied the indignant lady. "The hell you ain't," retorted Dolan. "Come out here and take a good look at what the byes are bringing up the road!"

The thoracic chap and woman mean well enough but are quite apt to be over-optimistic as to their ability to pay. The future always looks rosy and full of promises of better things. And they will pay if they have the money and they are not pikers, although they are apt to change their minds the minute the goods are delivered and want to exchange them for something else the next day—or later the same day. Their minds are like a kaleidoscope and always at work.

Now in dealing with a thoracic you want to be able to think quickly. A man buys a horse for one hundred dollars. Then he sells it for ninety dollars. Then he buys it back for eighty dollars. Did he make or lose on the transaction and if anything was made or lost, how much was it?

I am sure most of you think he broke even. I am sure that many of you think he lost ten dollars. A few will even think he lost twenty dollars. As a matter of fact he made ten dollars.

And that is just as perfect an illustration of what I mean by humanism in service and collections as I could give you. My good friend, Dr. Willis A. Sutton, president of the National Education Association, says that if education fails it will not be because of a lack of technique nor because of faults in the home but because the teacher falls down on the job of understanding the boy and girl committed to his care. It is the same thing for the credit man. You don't want a club, my friends, but you do want a heart, an understanding heart, and a parachute mind. Do you know what I mean by a parachute mind? I mean one that will open when you want it to get you somewhere safely.

There is a gold mine for your store in every day's credit contacts but most of you don't realize it. And particularly is that true with the thoracics. They have more friends in a minute than most of you will have in a lifetime, and they can create more good will or ill will for your store than a dozen of any other type. I often think they really ought to be pensioned, instead of dunned, endowed and not debited.

Now the musculars are the most important of all the types. First of all, because they are so plentiful, and because they always have money. And in handling them, I am going to tell you to

throw into the sewer all that you have ever read about handling prospects, unless you happen to be one of the fortunate possessors of one of my own books on the subject.

They are the boys who have as their motto: "When you don't know what to do FIGHT; and if you can't fight, then at least be sure to SWEAR!" If you don't come back at these babies in the same kind of language, you are a lost soul. Now I am not wishing to discourage you in the least, my friends, but, on the contrary, trying to help you.

I don't want to leave you in the position of the little dog I saw down at Poplar Bluff on one of my trips last year. Noting the little "pooch," I said to the expressman: "My, what a nice little doggie! Why I saw him here yesterday. Where is he going?" And the express agent said to me in reply, "Mister, I don't know and he don't know; the durned fool has et up his tag!" That was a typical osseous answer. He would never do a thing about it either but wait until the consignee complained or the consignor, nee shipper, raised a fuss with the claim department. Are you like this little dog?

Do you know why some people won't believe there is anything to my system? Well, here is the answer: It shows them up. It takes brains to learn what I teach and it takes abdominal pugnacity to put it into effect. And how people do hate to think and how they hate to work.

How much easier it is to say that there is no way of telling the difference between one man and another and thus create a perfect alibi for your incompetence. Well, there is one place in your stores where this stuff counts. And where is it? In the credit department? I hope so, but I'm not proud of the fact that I've talked to twenty credit associations in the last two years. I ought to have talked to a hundred and twenty-two. But it is not the credit department that I am referring to as the place where my stuff works.

Is it in the advertising department? God forbid. The average advertising man is so busy experimenting with white rats and reading what Watson-Dorsey-Patterson and Company have to say in proving that there is no such thing as instinct that he cannot fathom why his low-brow competitor is running away with the trade.

Is it in your music department? Not quite. It is true that occasionally an artist or a man or woman with refinement and culture does manage to get by the personnel department of a store—in the music department only—but it is not to them that I have reference.

No, the only place where my beliefs are accepted one 100 per cent is in your athletic associations. And did you ever hear of an athletic association in a store or in a college or university that had a deficit at the end of the year?

Last summer I addressed the University Kiwanis Club at Seattle and I asked them if they could tell me who was the highest paid man at their temple of learning. I asked was it the president or the dean of men? And it was not. Then a chunky little muscular chap who sold athletic goods spoke up and said: "I guess you mean Jimmy Phelan, don't you, Doc?" And I

said to him, "You win, brother!" Jimmy was reported to have signed up for \$22,500. It may have been more or less, but knowing Jimmy's type, the muscular, I know it was more apt to be more rather than less.

"All right, then," I continued, "Let me show you how Jimmy and all other honest-to-God coaches build up their teams. Do they go to the chemical laboratories and the biological libraries and the debating societies and pick out a nice bunch of little flat chested Rollos with thin legs and all wearing double convex lenses and speak to them thus-wise: 'Boys, get over to the training table and we'll feed you all on raw liver and onions and make you into All-American fullbacks!' Do they?

Not much. If they haven't already "cadetted" the team, if by any freak of mischance they have not a bunch of bone crunchers already matriculated for the chapel and gymnasium courses, then they go to the registrar and dean and see if there is anyone from Herrin, Illinois, or Marshall, Texas, weighing two hundred pounds and who isn't certain whether Omar Kayaam is a brand of cheese or a new cigarette. And he is signed up.

I submit, my friends, that if you will follow the example of the athletes, you will do yourselves and firms a favor. As I concluded my talk with the club, I pointed out that, on the Saturday previous, Jimmy Phelan's pupils had entered into a debate with a university from a nearby state as to which institution could throw more forward passes and block more kicks than the other—and more than 25,000 wise "guys," not so wise "guys," dumbbells and idiots had paid from a dollar and a half to two dollars and a half to take in the debate which occupied more than two hours. What other professor of any department could collect such a crowd to view his pupils in action and make such money for dear alma mater?

Wake up, boys, and be human. It often occurs to me that many a credit manager is like the case of the young man told of in the life of Daniel Webster. Mr. Webster was campaigning for his party in one of the big national fights and in a small city he encountered, as chairman of the meeting he addressed, a young lawyer. After the meeting, and while they were waiting on the station platform for the great orator's train to arrive, the young counselor told of an ambition he had, namely, to run for Congress himself.

"Don't do it, my son," said the kindly statesman, "don't do it! You have a nice practice, you are happily married, you have the good will of your friends and townsmen and will be better off as a small town lawyer than as a politician. And besides, if you ever run for office, your opponents will accuse you of every crime on the calendar, yes, of every crime on the calendar."

A few years later Mr. Webster was again in the same town and met the young attorney, who confided that he had made the fight for Congress against Mr. Webster's advice and had been overwhelmingly defeated. "Well," smiled Mr. Webster, "did they do as I said and accuse you of every crime on the calendar?" "Accuse me?" said the young lawyer, "My God, they

proved that I committed them!"

That, I am afraid, is what you do with many a promising candidate for credit privileges. You not only accuse him of being a dead beat but also a low-life bum and a no-account loafer. All wrong, my friends, all wrong. I'd rather see you on the other side. I'd rather have you be like a Jewish friend of mine, a Mr. Solomons.

He told me that there was a worthless youth named Isaac Levy calling on his daughter and that he had resolved to shoot him. So he went and purchased a brand new revolver and that night heard the young man down in the parlor with Rebecca and sneaked up on him with murderous intent. "And," to quote his own words, "I comes up on him quiet like and I sticks the revolver up by his face, und before I could pull the trigger, he looks up at me and reaches for his pocket book and says mit a smile, 'Oi, Mr. Solomons, how much you take it for that nice revolver' Und, so I asks you, mein frendt, I asks you this: How the hell can I shoot a man when he talks business?"

Not so long ago only osseous folks were let become credit men; all the more human types were excluded. Credit departments were hemmed in by set rules, and set rules are like the liquor habit which is said to be stimulating while it lasts but certain to wreck you eventually.

Osseous folks are silent, stubborn, but honest. They pay their bills all right, but if they were your only customers, you'd have to fire two-thirds of your help, including the credit department, which always gives them a good rating, and the advertising department which spends a lot of time and money writing copy that osseous never read. They go to the store because their fathers and grandfathers and mothers and grandmothers went there.

Your little cerebrals are a puzzle to you. They seem bright and alert and honest but you find that in spite of their brains—I will not say on account of them—they have no financial standing whatever. In reality they have been so busy reading Einstein and the Shakespeare-Bacon authorship controversy and looking up the lost Greek pronunciation, that the accumulation of wealth has never been possible. But they can make you look sick in an argument and can give excellent reasons for having credit extended to them.

Even as children they are smart. A prominent citizen of the South told me, a few days ago, that he was criticising his children and the youth of today, and a little cerebral lady of some fourteen years looked up from her cross-word puzzle long enough to say, "Well, daddy, tell me what generation has muffed things worse than your own with the World War, crime and depression and divorce." And he immediately shut up.

Yes, all of these chaps are good, not good in the same way nor with the same identical kind of goodness, but all are good and must be understood to be appreciated.

What I do hope to get over with you is the thought that there is really a reason why people differ and that it is not in the least mysterious but as easy to understand as pinochle and much easier than bridge.

Washington Bulletin

July, 1931

Contributed Monthly by R. Preston Shealey

FOREWORD



Few people know the amount of German reparations and yet knowledge of that amount would seem essential to everybody in America as well as Europe at this time.

A recent computation shows that the total paid by Germany as war reparations from the signing of the Treaty of Versailles, June 28, 1919, to June 15, 1931, is 20,527,250 marks or translated into American currency \$4,889,766,000. While figures are not at the moment available as to the exact portion France has received of that amount it is estimated that it is between two billion and two and a half billion. From that amount France has paid to England and the United States, her principal war debt creditors, to June 15, 1931, \$652,179,000, leaving applicable to her own uses, it is estimated, between a billion and a half and two billion dollars.

General

(a) Total operating revenue, as reported by the Western Union Telegraph Company for the five months ending May 31, 1930, to the Interstate Commerce Commission was \$55,952,861.00, and for the same period, net operating income \$5,677,714.00. During the corresponding period this year as reported to the Interstate Commerce Commission the total operating revenue was nearly \$9,000,000.00 less or \$47,099,229.00, but the net operating income during this period was slightly in excess of 1930, or \$6,000,160.00. From these figures it is apparent that the Western Union's gross business has been less than in the corresponding period in 1930, but that the company has been able to make a greater profit on less amount of business is said to be due largely to economies in operation. It is said, however, that these economies have not been at the expense of the employees or in curtailment of service. Certainly if other lines of industry do as well there is encouragement for the future and at least one bright spot in the current business depression.

(b) The attorney general has announced that prosecution of mail fraud violators in the matter of sale of fraudulent securities will be given special consideration in the Department of Justice and that four or five special assistants will be appointed to assist Assistant Attorney General Nugent Dodds, in charge of this work. Most of the federal prosecutions of cases of this nature have been under the "use of the mail" statutes, alleging the use of the mails as a part of the scheme to defraud. There is no general Federal "blue sky law," but following a successful blue sky campaign by the Department of Justice in the District of Columbia the attorney general announces that other sections of the United States will come in for attention.

(c) The Bureau of Census states that retail merchandise distribution in 1929 aggregated 53 billions of dollars and that wholesale business to retailers during the same period of time

amounted to \$69,628,448.61. The retail figures, of course, represent sales direct to consumers, but included in the wholesale figures are exports, sales to industrial consumers, and some duplication as between sales to retailers and direct to consumers. At that the total annual volume of 125 billions gross sales in wholesaling and retailing speaks volumes for the United States.

(d) The third semi-annual retail credit survey promises to be even more valuable than the two heretofore conducted, due in part to the new plan of co-operation by the Department of Commerce and the Service Bureaus of the National Retail Credit Association. Heretofore questionnaires were sent direct by the department to the reporting firms and the follow-up then devolved on the district offices of the Bureau of Foreign and Domestic Commerce, with the Service Bureaus co-operating. Under the present plan with the follow-up being conducted by the service bureau managers of the cities reporting the replies are coming in at a more rapid rate, and it would now appear probable that there will be a larger number of replies received. It is also stated that arrangements are being perfected so that the complete results may be available for the reporting firms in a shorter space of time; in this instance around the first of September. The firms that are represented in the present survey are Atlanta, Baltimore, Boston, Chicago, Cleveland, Dallas and Fort Worth, Denver, Detroit, Galveston, Indianapolis, Kansas City, Mo., Los Angeles, Louisville, Minneapolis, New Orleans, New York, Philadelphia, Pittsburgh, Portland, Ore., Richmond, Va., St. Louis, San Francisco, Seattle and Washington, D. C.

(e) R. G. Dun & Co. is co-operating with the Department of Justice in furnishing statistics for use in the general bankruptcy investigation and the department recently announced that, "During the four-month period January 1, 1931, to April 30, 1931, covered by the Dun reports to the department, 10,942 commercial failures were reported with liabilities of \$266,455,722 and estimated assets of \$163,500,030; 7,191 cases, with liabilities of \$154,346,960 and assets of \$81,437,254 were handled by the bankruptcy courts. The bankruptcy cases as reported thus comprised about 65 per cent of the total number of commercial failures reported, with about 58 per cent of the total liabilities and about 50 per cent of the total estimated assets."

Court Decisions

(a) New York's income tax law defines a resident as being one actually domiciled within the state or one who resides for seven months or more within the state. In an appeal from a decision from the state tax commission, holding him to be a resident of New York within the meaning of the state statute, John D. Ryan, chairman of the board of the Anaconda Copper Company, stated that he was a legal resident of Montana and had a vote and home in Butte. The state taxing authorities, however, contended that Mr. Ryan resided for more than seven months in New York and that the statute fixing seven months as the test of residence was not

unreasonable and therefore Mr. Ryan was a resident of New York and therefore taxable within that state. The appellate division of the Supreme Court of New York in a decision in early July took the state's view of the matter and Mr. Ryan, it is said, will have to pay \$33,671.10 tax unless the decision is reversed. The decision is said to be of great importance to the state of New York and may be of interest to citizens of other states.

(b) On July 10th, a petition was filed in the Supreme Court praying a rehearing of the Indiana chain store tax case. In the petition the taxpayer, an Indianapolis chain store corporation, alleged that since the decision of the Supreme Court in May, fifty-three bills taxing chain stores "at high and oppressive rates were introduced in twenty-five states. The maximum rate was proposed in a bill presented in the Massachusetts legislature, which levied a tax of \$2,700.00 per store. Six bills each levying a tax of \$1,000.00 per store, were introduced in the legislatures of Arkansas, Illinois, Pennsylvania, West Virginia and Wisconsin. All of these bills are based upon nothing save the numerical feature." There are two other cases of this nature on the docket, North Carolina and Mississippi, and the court is also urged to grant a rehearing because such rehearing could be considered in connection with argument upon the two cases now on the docket. The Supreme Court now being in recess the matter cannot be considered until reassembling in the fall for the October term.

(c) The decision of the United States District Court for the eastern district of Michigan in Louis Wohl, doing business as the Ames Company, Bankrupt, Bankruptcy No. 10,006, recently rendered, affords a sidelight on salvaging bankruptcy losses. From the facts in this it appears that the bankrupt had been principal owner in a corporation which had previously gone through bankruptcy and had listed as a part of its indebtedness obligations to two Detroit newspapers for advertising space. When one of the stockholders of the former corporation, the bankrupt in the instant case, commenced business and asked for a contract for advertising in the newspapers, the subject of this case, there was an oral agreement that the contract would be granted but that he should assume and pay the advertising bills to the newspapers in the question of the former bankrupt corporation. The bankrupt so agreed and paid the bills but later on went into bankruptcy. His trustee claimed a set-off against advertising claims in the present bankruptcy proceeding of these payments made by the bankrupt to secure the right of contract when he entered business in his own name. The trustee in bankruptcy held that a newspaper is a business clothed with a public interest and that therefore the oral agreement in question was void and as trustee in bankruptcy of Louis Wohl, had the right to set-off the payments so made by Wohl on account of the advertising indebtedness of the former bankrupt corporation. The referee in bankruptcy, however, disagreed with this contention and the district judge sustained the referee holding that a newspaper is not affected

with a public interest any more than an ordinary person.

(d) The attorney general of Texas has filed suit against the San Antonio Financial Public Service Corporation and the United Light and Power Company and the American Light and Traction Company said to be foreign holding companies controlling the former company, to restrain the Public Service Company of that Texas city from engaging in wholesaling and retailing electrical appliances. The attorney general of Texas takes the position that such merchandising reduces the competition that would otherwise be brought about by private individuals and also alleges that the charter of the Public Service Company authorizing it to operate street car lines and manufacture and distribute electricity and gas does not permit it to engage in the separate and distinct business of buying and selling merchandise, including electrical appliances, radios, refrigerators and gas heaters.

(e) Upon which side is the burden of proof is often the determining question in litigation and a bankruptcy case involving that question has been docketed for review by the Supreme Court of the United States on an appeal from the Circuit Court of Appeals of the Fifth Circuit. In this case the trustee in bankruptcy sought to set aside a transfer of the bankrupt corporation's property upon the ground that it was fraudulent and without consideration. The defendants denied under oath the charges of fraud and lack of consideration and also alleged that at the time of transfer they were without knowledge of the insolvency of the bankrupt. The question which has been placed before the Supreme Court to decide is whether or not in the face of such an answer from the defendants showing good faith in the transaction complained of, the trustee must establish the truth of his allegations by a preponderance of the evidence. This case is Claude Neon Southern Corporation et al v. McCaffrey, No. 176 (47 F. (2d) 72).

(f) In the decision of the United States Circuit Court of Appeals for the sixth circuit at Cincinnati on June 13, 1931, in the matter of Shakespeare Company vs. Federal Trade Commission another contribution has been made to the long line of decisions in regard to resale price fixing. An addition to former decisions may be gathered from that part of the decision in this particular case from which it appears that manufacturers "may refuse to sell to those customers who demoralize the market and may announce as a general policy an intention so to do." If some customer cuts prices below the requested minimum (the manufacturer) may refuse to make additional sales to such customers, but may go no further. Assurances as to future conduct may not be solicited. Should such assurances be given by the customer notwithstanding the lack of solicitation they must be considered as gratuitous and as not involving (the manufacturer) in a violation of the commission's order. They would then amount to no more than persuasion on the part of the customer that (the manufacturer) resume its former relations.

An Analysis of Accounts Charged Off to Profit and Loss by Retail Merchants in Texas « «

By ARTHUR H. HERT
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THE credit manager of today can determine his credit losses within a certain degree of accuracy. He has had little information in the past, however, to compare his experiences with the experiences of others in the same line of business. In other words, he would like to know the relation between:

1. The losses of his store with the losses of other stores in his city.
2. The losses of the stores in his city with the losses of stores in other cities in his State.
3. The losses of the stores in his State with the losses of other States in the country.

Realizing the need for this information the Associated Retail Credit Men of Texas through its committee on statistics requested the Bureau of Business Research of The University of Texas in 1929 to compile confidential credit department statistics. The bureau has been collecting these data during the past two years for the collective benefit of the retail stores in Texas. This information makes it possible for each retail credit man to compare his volume of credit, collection percentages, and direct costs of operating his department with the average of others in his line of business and for those in related lines. As these figures accumulate, they will bring out seasonal changes, responses to varying business conditions, trends of policies, and many other comparison bases.

The ratios which the Bureau of Business Research tabulates with the co-operation of the credit men of Texas are:

1. The ratio of credit sales to net sales.
2. The ratio of collections to outstandings.
3. The ratio of credit salaries to credit sales.

These data have proved very interesting and the Bureau of Business Research has received excellent support from the association. These figures tell the credit situation in part only and in a general way, however.

The Retail Credit Bureau of Austin, through its secretary, Mr. Horace C. Barnhart, became interested in the study of some of the available statistics in a more specific manner. They became interested in a thorough analysis of the accounts charged off to profit and loss by the members of their bureau. In other words, they wanted to know:

1. The reasons why the accounts were charged off to profit and loss.
2. Amount charged off to profit and loss.
3. Occupations of the accounts charged off.
4. Average monthly income of each occupa-

tion of accounts charged off to profit and loss.

5. Number of open and installment accounts each customer charged off to profit and loss enjoyed at time account was incurred.

6. Whether a report on the credit standing of the accounts was asked for by the merchant from the credit bureau at the time the account was opened or became delinquent, as well as other related information concerning the accounts.

The credit bureau thought that this analysis would assist credit managers:

1. In evaluation of present credit accounts.
2. In evaluation of former credit accounts.
3. In the evaluation of prospects to be solicited as new accounts.

4. In the determination of the credit limit the prospective customer can safely undertake to pay promptly according to his income.

All of the members of the Credit Bureau of Austin were asked to send in their lists of accounts charged off to profit and loss for 1930 on a form provided by the Bureau of Business Research after which they were recorded by the credit bureau on the master cards. When this was completed, each account charged off to profit and loss was checked on the master cards in the bureau to obtain other information needed in the analysis.

This thorough analysis of accounts charged off to profit and loss is being made first in fifteen types of stores and professions in Austin, Texas. Through the efforts of Mr. Leopold L. Meyer of Houston and Mr. Adolf Grasso of San Antonio, the accounts charged off to profit and loss in the department stores in those two cities will be studied later.

The study when completed will comprise sixty-three stores and professions in Austin which will include five department stores, three men's clothing stores, two women's specialty shops, three jewelry stores, five furniture stores, five drug stores, two florist shops, two plumbing shops, two paint and supply stores, five lumber and supply companies, two real estate offices, four loan companies, eight auto service stations and garages, three oil companies, seven groceries and five doctors and dentists.

In a preliminary analysis of fifty-four of these stores and professions in Austin, it was found that of the 1,768 accounts charged off to profit and loss in 1930, 91.3 per cent were those of white people while 8.7 per cent were colored; 66.4 per cent were accounts of men while 33.6

per cent were accounts of women; and 62.1 per cent were married while 37.9 per cent were single. The total amount charged off to profit and loss for the entire 1,768 accounts amounted to \$46,687 or an average of \$26.40 per account. The average income of each of the accounts for all occupations was \$112.25 per month. The average number of open and installment accounts that each customer enjoyed was four. Forty-three and eight-tenths per cent of the accounts charged off to profit and loss were incurred in 1930, 35.8 per cent were incurred in 1929, while the remaining 20.4 per cent were incurred from 1921 to 1928.

The reasons why these 1,768 accounts were charged off to profit and loss as given by the merchants were as follows:

- 40.4 per cent of the account were charged off because they were dead beats (i. e., accounts which could be located but could give no sound explanation for failure to pay up).
- 20.5 per cent of the accounts were charged off because they were skips (i. e., accounts which could not be located).
- 9.6 per cent of the accounts were charged off because they were unemployed.
- 9.0 per cent of the accounts were charged off because they were in temporary financial difficulties.
- 4.0 per cent of the accounts were charged off because the store failed to properly limit the accounts (i. e., chronic financial difficulties).
- 3.6 per cent of the accounts were charged off because of sickness.
- 2.7 per cent of the accounts were charged off because they were disputed.
- 2.0 per cent of the accounts were charged off because the accounts were opened with insufficient information.
- 1.6 per cent of the accounts were charged off because the charges slipped through without proper authority.
- 1.2 per cent of the accounts were charged off because of crop failure.
- 1.2 per cent of the accounts were charged off because of domestic trouble.
- 1.1 per cent of the accounts were charged off because of fraudulent buying.
- 1.1 per cent of the accounts were charged off because of bankruptcy.
- 1.0 per cent of the accounts were charged off because the accounts were opened despite bad record.
- 1.0 per cent of the accounts were charged off because of deaths.

Of the 1,768 accounts charged off to profit and loss in this analysis, reports were requested from the credit bureau on the credit standing of only 589 or 33.4 per cent of the total, while on the remaining 1,179 or 66.6 per cent of the accounts, no reports were obtained.

Now, what can we conclude from the data and information which I just presented from this analysis. We find, first, that the ratio of 1930 charge-offs to 1930 credit sales in Austin department stores to be only eight-tenths of one per cent while the charge-offs for the entire State of Texas is 1.2 per cent. Some may say that this is a very small percentage considering the amount of credit sales. It is a very small percentage but it represents a large amount in actual dollars. The amount charged off to profit and loss for the entire 1,768 accounts included in this analysis was \$46,687 or an average of \$26.40 per account. This average is low, however, when compared with \$42, the general average in the United States.

Second, we find that 8.7 per cent of the accounts charged off to profit and loss were those

of negroes. In a great many stores, perhaps the majority of them, negroes are distinctly discriminated against despite the fact that the stores themselves will not admit it. With the exception of the negro school teachers, negroes as a rule are very rarely extended credit except on lease accounts and it is because of this latter fact, namely, that they often buy on the installment plan that the 8.7 per cent was charged off to profit and loss.

Third, we find that there exists a close relationship between the marital status of the accounts and sex because 66.4 per cent of the accounts were those of men and 62.1 per cent were married while 33.6 per cent of the accounts were those of women and 37.9 per cent were single. It has been estimated by many store executives that women do as much as 75 per cent of the shopping for the family yet the husband is responsible for his debts as well as those of his wife and family when they are necessities for herself and children, consequently the majority of accounts were in the husband's name even though it was used most of the time by the wife.

Fourth, we find that the average income of each occupation for the accounts charged off to profit and loss is \$112.25 per month and the average number of open and installment accounts each customer enjoyed is four. This average income seems to be fair for the people who live in Austin but the figure for the number of open and installment accounts seems to be a little low in comparison with other figures I have seen on the subject. This small number, I believe, was caused by the fact that the credit bureau did not have master cards for a great number of accounts charged off to profit and loss because there were no requests made for a report on their credit standing, consequently there was no way to tell how many other accounts they enjoyed other than the one charged off to profit and loss. A credit policy in any community should be strongly condemned that does not incorporate the obligation to clear any and every account through the local credit bureau, whether it is installment or regular credit that is being applied for.

Fifth, 43.8 per cent of the accounts charged off to profit and loss were incurred in 1930, 35.8 per cent were incurred in 1929 while the remaining 20.4 per cent were incurred from 1921 to 1928. This 20.4 per cent of the accounts incurred from 1921 to 1928 is distinctly a reflection upon credit management as no account should be retained on the books if a payment to apply has not been made within six months of the fiscal closing year. For example, as applying to department store business, exception is sometimes made for such a character of account as has been on the books for many years and which account was considered absolutely good, unless a payment is made as late as September, the account is charged off the books on January 31st, the usual fiscal closing date. It is true that in many instances accounts charged off can be collected after they have been charged off, but by charging them off as soon as they are questionable, the books can be kept clean and in a healthy condition. The stringent col-

lection effort that is often required on certain accounts can be concentrated on these accounts that have been charged off to profit and loss and which can always be kept at finger tips. In other words, I would recommend hewing to the line in connection with keeping the books clean and charging accounts off when they are bad and not permitting any sentiment to enter into such procedure.

Sixth, the reasons why the 1,768 accounts were charged off to profit and loss are quite important as well as interesting. The most surprising result of this analysis is the fact that 40.4 per cent of the accounts that were charged off were dead beats—people who could actually be located and who were employed—but who simply refused to pay their debts for no good reason other than the lack of desire to do so. Paying debts can become an obsession. It is habit-forming and a person is just as liable to develop the habit of paying debts as he is to form the habit of neglecting debts, and the worst thing that might happen to a customer is to learn that an account may actually be neglected with impunity. It would seem that the merchants throughout the country would grasp the psychology of this circumstance and either permit or instruct their credit managers to operate credit departments strictly adhering to the enforcement of terms, regardless of what those terms may be. The merchant should awaken to the realization that both paying and neglecting to pay bills is a matter of habit and that the habit will be formed in one direction or the other, according to the influence that the merchant or credit manager bears on his customers. It also appears from this analysis, which reflects a loss of 20.5 per cent on skips, that a concerted action should be taken on the part of the National Retail Credit Association to influence its locals into fostering the moving van laws which would eliminate the possibility of the great majority of skips which are a source of distress to credit departments in general.

Seventh, of the reasons given by the merchants, dead beats, failure to properly limit, disputed, accounts opened with insufficient information, charges slipped through without proper authority, and account opened despite bad records can be attributed to the merchant; while skip, unemployment, temporary financial difficulties, sickness, crop failure, domestic trouble, fraudulent buying, bankruptcy and deaths can be attributed to the purchaser. It is interesting to note that out of the 1,768 accounts examined in this analysis, only one was charged off to profit and loss that can be attributed to the fault of the credit bureau and that was because of the similarity of names, wrong information was given concerning the credit standing of the prospective customer at the time the report was requested.

Eighth, these data are confined in scope to the profit and loss experience of the fifty-four stores and professions located in Austin and included in this analysis. Normally, it would be presumed that the profit and loss experience of these fifty-four stores in Austin would be similar to the profit and loss experience of another fifty-four stores located in another city affected

by the same economic conditions and provided the credit policies of the stores in each of the two cities were somewhat alike. Also, it would normally be presumed that the data obtained would be remotely applicable to any average community, the degree of variation in the data would depend upon the extent to which the credit fabric had been refined. However, we are frank to admit, despite our rather limited experience in the field of credit, that it is very doubtful if conditions such as were found in the City of Austin would exist in any other community in the United States the size of the City of Austin, when reflection is given to the fact that of 1,768 accounts analyzed, only 589 had been cleared through the credit bureau at one time or another during the life of the account. We can understand that some contingency might arise that would warrant the passing of credit on "general principles" to satisfy an emergency or because of a foregone conclusion that an account was absolutely good, but in this day of highly developed credit granting, with scientific control of accounts, with interchange of information on accounts even between stores of doubtful friendliness, no reasonable excuse could be presented to justify the failure to clear two-thirds of the accounts of fifty-four businesses in a representative city. The facts as found were appalling and would perhaps be no less astounding to the merchants themselves; and it is for the purpose of revealing just such fundamental wrongs in the conduct of credit departments and businesses in general that such an analysis as this has been undertaken and the same will be prosecuted to a complete rounding out of facts in order that in the final analysis a composite picture will be the result. It is naturally hoped that when the survey, as such, is consummated, a concerted effort will be made on the part of the merchants of Texas to rectify the deficiencies that are pointed out and adjust the differences that exist in credit organization and procedure in general.

The answer to the question of how to reduce credit losses, as I see it, is in co-operation. Co-operation, first, between the merchants and the credit bureau, and second, co-operation between the merchants themselves. This type of co-operation is the basis of the community credit policy. This policy is a system of co-ordinated effort established by all merchants for the purpose of maintaining interlocking credit control of customer credit in a community. In other words, it means a scientific control of credit extension based upon strict adherence to a prescribed procedure agreed upon by merchants and credit men in a community. The failure to co-operate in the establishment of a community credit policy is due to a great extent to the fact that it is difficult to enforce a set of co-operative rules of any kind unless they are carried out by all the co-operating stores. If one store becomes lax in enforcing them, then the others must do the same or lose business. The eagerness of the stores to serve the customers makes it necessary for each store to give the same privileges that are available in other stores.

The community credit policy may be the right answer to take care of the accounts already

approved and on the books. But what about the young people of today who do not now enjoy open accounts? They will, through necessity, open accounts with retail stores some day. The answer to this question is that they must be educated in their early days to pay their bills in 30 days or as agreed as a matter of a moral obligation. Children are taught the evils of dope and narcotics when they are young, consequently there are comparatively few dope fiends in the United States today. If the great masses had been taught the necessity of paying their bills as a moral obligation in their younger days, there would be fewer dead beats today and less charged off to profit and loss.

There is no question but that co-operation between the merchants themselves and between the merchants and the credit bureau is necessary to insure the lowering of credit losses. It is upon these two hypotheses that the deduction may be made that lowering credit losses is remotely possible. However, there is another all-important feature to supplement the foregoing that must also be given the individual attention of the merchants or credit men and that is internal credit procedure. It is not reasonable to presume that accounts can be handled like bales of hay or sacks of salt, but rather it is necessary that each and every account be given individual attention and analysis as well as authoritative supervision. In these unsteady times the credit manager must exert special pressure on the observance of terms. There is a false conception on the part of the credit men in general that the end of the fiscal year is the time for the charging off of accounts, whereas, as a matter of fact, the time to charge an account off the books is at that moment at which the account has been determined of questionable collectibility. If these accounts that are periodically classified as uncollectible are separated from the satisfactory current accounts and are concentrated in one separate ledger, subconsciously this particular suspense ledger of accounts will be given primary and necessary thought and consideration by the credit manager if he is alive to his job.

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First Aid to the M. D.

(Continued from page 6)

called me up to know about a Mike somebody. I did not recall the name. Then she said that he had an order which I had given him for a meal and a bed at the Bethel. He had come to me asking for money, but as I do not give money I simply gave him an order. However, he had been elsewhere and accumulated enough money to acquire a good-sized jag and had been run down by some motorist. The next morning it was found that he also had a bad case of appendicitis and that an operation was necessary. Therefore, we were called as the only bit of identification the man had about him was my written order to the Bethel.

Now, naturally, we may not all agree on specific instances, but at the same time, we may be able to work together. It seems to us that the important things nowadays is to co-operate with the members of your own profession and to co-operate with the business interests of the city. By doing so you will accomplish much!

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